



# Additional Licensing in Coventry

FEASIBILITY REPORT  
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## Contents

<b>1. EXECUTIVE SUMMARY .....</b>	<b>3</b>
<b>2. Introduction.....</b>	<b>4</b>
<b>3. Additional Licensing of HMOs.....</b>	<b>5</b>
<b>What is a HMO?.....</b>	<b>5</b>
<b>4. Supporting Information .....</b>	<b>7</b>
<b>4.1 The National Picture.....</b>	<b>7</b>
<b>4.2 Local Context .....</b>	<b>7</b>
<b>4.3 Strategic Context .....</b>	<b>11</b>
<b>4.4 Housing in Coventry .....</b>	<b>13</b>
<b>4.5 The Private Rented Sector .....</b>	<b>14</b>
<b>4.6 HMOs in Coventry .....</b>	<b>15</b>
<b>4.7 Mandatory Licensing of HMOs .....</b>	<b>18</b>
<b>4.8 Property Conditions .....</b>	<b>19</b>
<b>4.9 HHSRS .....</b>	<b>21</b>
<b>4.10 Non Decent Homes.....</b>	<b>23</b>
<b>4.11 Complaints about HMOs.....</b>	<b>25</b>
<b>5. Conditions in HMOs.....</b>	<b>31</b>
<b>5.1 Case Studies.....</b>	<b>31</b>
Case Study 1.....	32
Case Study 2.....	33
<b>6. Enforcement of HMOs.....</b>	<b>35</b>
<b>7. Option Appraisal.....</b>	<b>37</b>
<b>8. Benefits of Additional Licensing .....</b>	<b>39</b>
<b>8.1 Benefit: Consistent Approach to all Coventry HMOs.....</b>	<b>39</b>
<b>8.2 Benefit: Appreciation of Property Values .....</b>	<b>39</b>
<b>8.3 Benefit: Links with Landlords.....</b>	<b>40</b>
<b>8.4 Benefit: A Recognised Group of Landlords.....</b>	<b>40</b>
<b>8.5 Benefit: Pro-active involvement eliminates reactive work .....</b>	<b>40</b>
<b>9. Impact of Licensing.....</b>	<b>40</b>
<b>10. Conclusions.....</b>	<b>44</b>

Figure 1- Population by Age.....	8
Figure 2- Non EU Migrants in Coventry .....	10
Figure 3- EU Migrants in Coventry .....	10
Figure 4- Average house price in Coventry.....	14
Figure 5- % households in PRS in West Midlands area 2011.....	14
Figure 6- % households in PRS in West Midlands region 2015.....	15
Figure 7- Percentage of HMOs by ward.....	17
Figure 8- Census 2011 multi occupied properties .....	17
Figure 9- Licensed HMOs in Coventry 2018.....	18
Figure 10- HMO Hotspot Density 2018.....	19
Figure 11- Dwelling Age in Coventry 2012/13 .....	20
Figure 12- Dwelling type in Coventry 2012.....	21
Figure 13- Cat 1 hazards in PRS Coventry .....	21
Figure 14- Cat 1 hazards by ward.....	22
Figure 15- Non decent homes in Coventry PRS .....	23
Figure 16- Criteria for non decent homes in HMOs.....	23
Figure 17- HMO density and fly tipping and refuse complaints .....	25
Figure 18- Pest control visits last two years .....	27
Figure 19- ASB crime rates by Ward .....	28
Figure 20- Drug related crime by ward.....	29
Figure 21- Public Order crime rates by ward.....	30
Figure 22- PRS rents between 2014 and 2018.....	41
Figure 23- Comparison of rents in areas with and without licensing .....	41
Figure 24- PRS rents during 2017 to 2018 .....	42
Figure 25- % PRS rental increase during 2017-18.....	43
Table 1- Population Growth in Coventry .....	8
Table 2- Hazard profiles in HMOs and PRS .....	22
Table 3-- Fire safety measures in HMOs .....	24
Table 4- Complaints in PRS .....	25
Table 5- Refuse complaint by LSOA .....	26

## 1. EXECUTIVE SUMMARY

Coventry is well known nationally and internationally as the city of peace of reconciliation. It has also recently been awarded the City of Culture for 2021. However there have long been serious problems, especially around housing. For thousands of people coming to study the condition of accommodation for rent can be very poor. In addition, due to the problems associated with a lack of housing supply many people are forced to rent privately. This is particularly relevant for young professionals and migrant workers. The large numbers of people looking to rent, and the lack of affordable housing available to buy have conspired to present failures in the operation of the housing market.

For many years the City Council has been looking for effective means of assisting and encouraging improvements in the quality of houses in multiple occupation (HMOs) let out in Coventry. The HMO sector is a substantial element of the private rental market.

These informal approaches met with a degree of success but the scope of such intervention is very limited and many wards across the City still present significant problems with HMOs. The other tools available remain an option but prosecution for breaches of Regulations is a cumbersome procedure and one that is essentially negative – albeit appropriate in the right circumstances.

The mandatory licensing of HMOs has been effective in regulating and improving the standard of accommodation offered to let in Coventry. Licensing encourages a positive interaction with landlords and allows for the problems presented by each house to be managed on an individual basis through a bespoke set of licence conditions.

Additional licensing spread over the whole of the City will allow for those positive effects to be extended and for the benefits to be available to everybody. The Council believes that licensing all HMOs is essential for bringing about improvements in Coventry's rental stock. There is a very strong commitment from the Council for this development and the licensing of all HMOs is an indispensable element in that work.

HMOs make a considerable contribution to the vibrancy of the City's economy and the Council appreciates the work good landlords do in providing decent living accommodation. It is imperative that all landlords in the City are encouraged to operate minimum standards that anyone should be able to expect when renting such accommodation.

The significance of HMOs in Coventry is only likely to increase. The pressures on the City's housing market are such that house prices are likely to continue to rise restricting further those households who cannot access the property ladder. In turn, this will mean that for a greater number of people who live in the PRS, the only chance of a decent home is in a properly managed and well regulated, licensed house in multiple occupation.

## 2. Introduction

Coventry is one of the fastest growing cities outside of London with an estimated population of approximately 360,000. Census 2011 data suggests that Coventry's population has a much younger age profile than England in general; it is the younger population that is on the increase with a decline in the over 75's. The average age of Coventry's residents is 33 years, notably lower than the England average of 40 years, and is falling. The student population means there is continually a large population aged 18-24, this age group makes up 14.7% of the population compared to the England average of 8.7%.



The growth and increase in the size of the Private Rented Sector (PRS) has been a significant change in the housing market in Coventry. In 2001 there were approximately 15,000 households living in the PRS which according to Census information rose to 26,503 in 2011. The Office of National Statistics (ONS) reported in 2015 that there were estimated to be 34,326 households in the PRS in Coventry.

HMOs are a major concern for the Council with the Census 2011 suggesting that HMOs currently make up a quarter of the PRS. The trend over many years has been for the HMO stock to grow steadily within the City.

The Council has produced a Housing Strategy which recognises that, amongst other things, there is limited social affordable housing available in the City making it clear that the private rented sector will need to play a greater role in meeting housing needs in the City.

Landlord licensing is part of a wider set of measures to enable landlords to provide good quality housing within their communities and Additional Licensing of HMOs will help alleviate the housing

situation in HMOs by setting and maintaining minimum standards across the city in the most vulnerable sector of Coventry's private rental market.

Additional Licensing would require all private landlords with HMOs in designated areas of the city to apply for a licence for each property before they can be let to tenants. In order to become a licence holder a landlord would have to meet certain standards.

### 3. Additional Licensing of HMOs

The Housing Act 2004 has given Councils the power to introduce Additional Licensing of HMOs, those which fall outside of the mandatory HMO licensing definition to improve conditions for tenants and the local community in certain circumstances.

#### What is a HMO?

An HMO (House in Multiple Occupation) is defined in Sections 254 and 257 of the Housing Act 2004.

An HMO can be a building or part of a building if it is:

- Occupied by persons who form more than one household, and where those persons share (or lack) one or more basic amenities, such as a WC, personal washing and cooking facilities.
- A converted building containing one or more units of accommodation that do not consist entirely of self-contained flats. (There is no requirement that the occupiers share facilities)
- A converted building consisting entirely of self-contained flats, where the building work undertaken in connection with the conversion did not comply with the 1991 Building Regulations and more than one third of the flats are occupied under short tenancies.

The HMO must be occupied by more than one household:

- As their only or main residence;
- As a refuge by persons escaping domestic violence; or
- During term time by students.

In all cases:

- Occupation of the living accommodation must be the only use of that accommodation; and
- Rents are payable or other considerations are provided.

Under the Housing Act 2004, a **household** comprises:

- A single person;
- Co-habiting couples (whether or not of the opposite sex); or
- A family (including foster children and children being cared for) and current domestic employees.

Certain types of buildings will not be HMOs for the purpose of the Housing Act. They are:

- Buildings, or parts of buildings, occupied by no more than two households, each of which comprise a single person only (for example, two person house or flat shares);
- Buildings occupied by a resident landlord with up to two tenants;
- Buildings managed or owned by a public sector body, such as the police, local authority, registered social landlords, fire and rescue authority and the NHS;
- Buildings occupied by religious communities;

- Student halls of residence where the education establishment has signed up to an Approved Code of Practice; and
- Buildings occupied entirely by freeholders or long leaseholders.

Bed and breakfast and hostel accommodation occupied by individuals as their main and permanent address are also considered to be an HMO.

In April 2015 the Secretary of State for Communities and Local Government gave Local Authorities general approval regarding the approval steps for additional and selective licensing designations in England. When considering the introduction of an Additional Licensing Scheme the Council must proceed through the statutory process as laid out in Section 56 and 57 and the guidance issued under the Housing Act 2004: Licensing of Houses in Multiple Occupation and Selective Licensing of Other Residential Accommodation (England) General Approval 2015.

Section 56 of the Act places requirements upon the Council when considering a designation for additional licensing of HMOs, in that the Council must:

- Consider that a significant proportion of the HMOs of that description in the area are being managed sufficiently ineffectively as to give rise, or likely to give rise, to one or more particular problems either for those occupying the HMOs or for members of the public;
- Take reasonable steps to consult with persons who are likely to be affected and consider any representations made in accordance with the consultation and not withdrawn; and
- Have regard to any information regarding the extent to which any codes of practice approved under section 233 have been complied with by persons managing HMOs in the area (these codes relate to University managed accommodation).

Section 57 provides further considerations for the Local Authority in that they should ensure that:

- Exercising the designation is consistent with the authority's overall housing strategy;
- Seek to adopt a coordinated approach in connection with dealing with homelessness, empty properties and anti-social behavior affecting the private rented sector as regards combining licensing with other action taken by them or others; and
- Consider whether there are any other courses of action available to them (of whatever nature) that might provide an effective method of dealing with the problem or problems in question; and
- That making the designation will significantly assist them to deal with the problem or problems (whether or not they take any other course of action as well).

The General Approval provides the condition that any consultation period for the proposed designation should not be less than 10 weeks.

The guidance for the general approval also provides examples of properties being managed "*sufficiently ineffectively*" including:

- Those whose external condition and curtilage (including yards and gardens) adversely impact upon the general character and amenity of the area in which they are located;
- Those whose internal condition, such as poor amenities, overcrowding etc. adversely impact upon the health, safety and welfare of the occupiers and the landlords of these properties are failing to take appropriate steps to address the issues;

- Those where there is a significant and persistent problem of anti-social behavior affecting other residents and/or the local community and the landlords of the HMOs are not taking reasonable and lawful steps to eliminate or reduce the problems; and
- Those where the lack of management or poor management skills or practices are otherwise adversely impacting upon the welfare, health and safety of residents and/or impacting upon the wider community.

Under section 60(2) of the Act the time must be no later than five years after the date on which the designation comes into force.

## 4. Supporting Information

### 4.1 The National Picture

ONS projects that there will be a population increase in the UK by 11 million over the next two decades. People are growing older and living longer. It is estimated that over the next few years the over 65's will increase by 7 million.

2.9 million people aged 20-34 are currently living with parents and for many home ownership is no longer a tenure of choice or aspiration resulting in the PRS being the only viable housing option for most newly forming households.

The English Housing Survey 2016/17 (EHS) reported, that the PRS has now grown to 20%, up from 19% in 2013-14 and 11% in 2003 and that a larger proportion of 25- to 34-year-olds now rent their home.

Rising house prices have seen many young people priced out of buying a home which is apparent from the results of the EHS which also acknowledges that *“While the under 35s have always been overrepresented in the private rented sector, over the last decade or so the increase in the proportion of such households in the private rented sector has been particularly pronounced. In 2006-07, 27% of those aged 25-34 lived in the private rented sector. By 2016-17 this had increased to 46%. Over the same period, the proportion of 25-34 year olds in owner occupation decreased from 57% to 37%. In other words, households aged 25-34 are more likely to be renting privately than buying their own home, a continuation of a trend first identified in 2012-13. As with those aged 35-44, the proportion of 25-34 year olds in the social rented sector did not change”*.

In 2016-17, 5% of households in the PRS (231,000) were living in overcrowded accommodation.

The rental market has also changed considerably. After stalling in 2013, rents charged by private landlords increased by 8.2% in 2014 across England with the average weekly rent climbing from £163 to £176.40. Currently average rents average £675.<sup>1</sup>

### 4.2 Local Context

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[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/714123/PRMS\\_Statistical\\_Release\\_180607.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/714123/PRMS_Statistical_Release_180607.pdf)



Coventry is the second largest City in the region by population and is also the 9th largest in England. Its population places it as the 10th largest City in the UK. Between 2012 and 2013, the city's population increased by over 2%. A significant number of migrants have contributed to the city's population, which is expected to continue into the future as Coventry will see steady population increases.

ONS published their updated mid-year population estimates on 22nd June 2017. These estimates suggest that Coventry has 352,900 people living in the city - 7,500 more people than in 2015 when the population was estimated to be 345,400.

This is an increase of 2.2%, compared to the England average of 0.9%. Between June 2015 and June 2016 Coventry's population was growing at the 10th fastest rate out of all council areas in the United Kingdom, the 4th fastest rate outside of London.

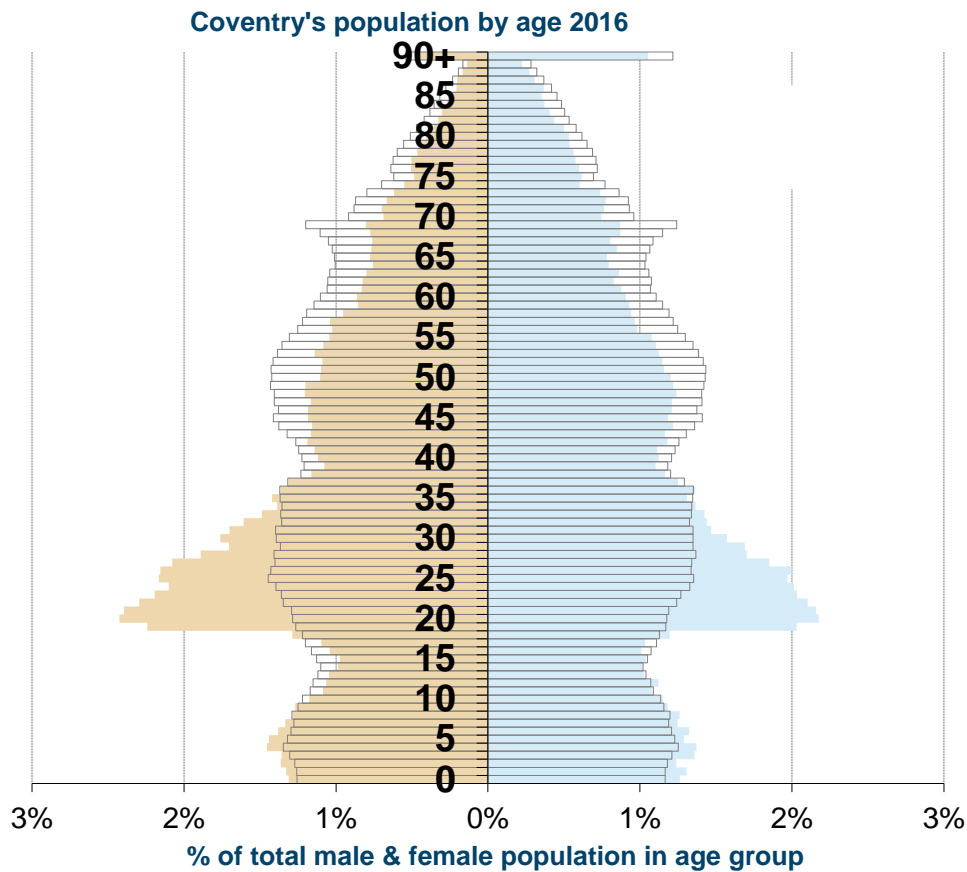
Table 1 below shows Coventry's medium term growth since 2000. After a period of population decline at the start of the century Coventry's recent growth has been faster than the national and regional averages.

Table 1- Population Growth in Coventry

Year	Coventry		England	West Midlands
	Mid-year population estimate	Population change index (2000 = 100, Cumulative % change since 2000)		
2000	303,100	100.0	100.0	100.0
2001	302,800	99.9	100.4	100.2
2002	301,300	99.4	100.9	100.6
2003	300,700	99.2	101.4	101.1
2004	298,200	98.4	102.0	101.5
2005	298,400	98.5	102.8	102.1
2006	300,100	99.0	103.5	102.8
2007	301,400	99.5	104.4	103.5
2008	305,200	100.7	105.2	104.3
2009	307,400	101.4	106.0	104.9
2010	311,700	102.8	106.9	105.6
2011	316,900	104.6	107.9	106.4
2012	323,100	106.6	108.7	107.1
2013	329,800	108.8	109.4	107.7
2014	337,400	111.3	110.3	108.4
2015	345,400	114.0	111.3	109.1
2016	352,900	116.4	112.3	110.1

In 2007 when the Coventry population started to grow notably the average age was 36 years. The young average age is partly because Coventry is home to two large universities – Coventry and Warwick University. The City is one of the top 20 towns and cities in the UK in terms of the proportion of the population who are students (source: Census 2011). Figure 2 below shows the age profile by population in Coventry.

Figure 1- Population by Age



The student population means there is continually a large population aged 18 – 24, this age group makes up 14.3% of the population compared to the England average of 8.8%.

There are other reasons why Coventry is a relatively young city;

- A number of European economic migrants, who are more likely to be younger, have moved and are moving to the city;
- In the 1970s and 1980s many young people left the city looking for work meaning that there are relatively fewer older people today than might be expected;
- Up until five years ago the annual number of births was increasing as a trend. The number of births has now stabilised and has fallen from a high of around 4,800 to around 4,600 and
- Some established middle aged residents move out of Coventry to more rural areas.

Continuing a recent trend, the average age of Coventry's residents reduced between mid-2015 and mid-2016. The population of 0-15 year olds increased by 1.9%, 16-64s increased by 2.6% and older people aged 65 and over by 0.6%. However, with life expectancy increasing the population of residents aged 65+ is likely to increase faster than younger age groups in the future. The working age population increased by the most, particularly due to growth amongst 18-24s and 25-34s; partly the result of the growing universities. Coventry University in particular has been growing and the number of full-time students enrolled there continued to increase between 2015 and 2016.

ONS reported in 2014 that overall for the UK as a whole, the proportion of the population born outside of the UK was 13% (8.3 million of 63.7 million). In Coventry the figures for 2014/15 were reported to be 24% non UK born, almost twice the national average.

According to the 2011 Census, Coventry as a local authority has experienced the greatest migration since 2001 - second only to London. The increasing diversity of populations in Coventry is creating new challenges for housing, health and social care systems, which need to adapt in order to remain responsive and ensure delivery of effective and culturally sensitive services while promoting equity, social cohesion and inclusiveness. To achieve the City's aim of reducing inequalities within the City, and in response to the City's Marmot role, addressing migrant health was a clear priority.

The 2011 Census tells us that 1 in every 5 people living in Coventry (21%) were born outside the UK. People move in and out of the city every year, including students studying at the city's two universities from both the UK (37,580) as well as an estimated 19,160 overseas students (2016-2017 figures)<sup>2</sup>. 14,035 students enrolled from Non-EU countries and 5,125 from EU countries.

The 2011 also shows us that areas around the city centre and to the south east of the city were the most popular places for EU migrants to live, while the city centre and areas to the North East and South West are the most popular for non-EU migrants. Figures 2 and 3 provide the profile.

Figure 2- Non EU Migrants in Coventry

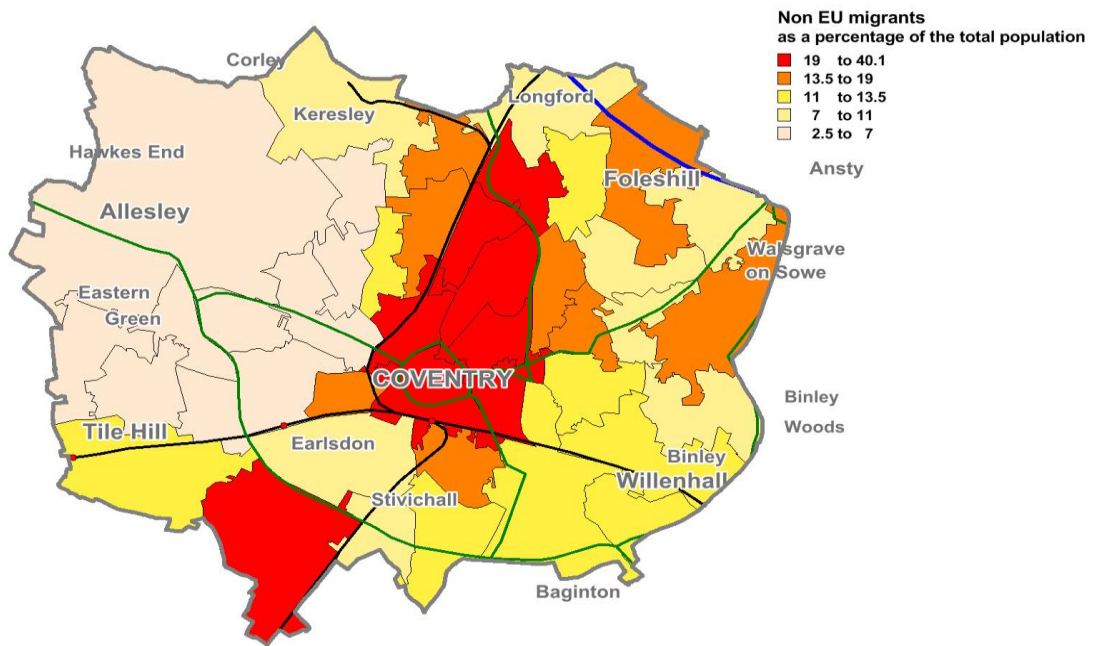
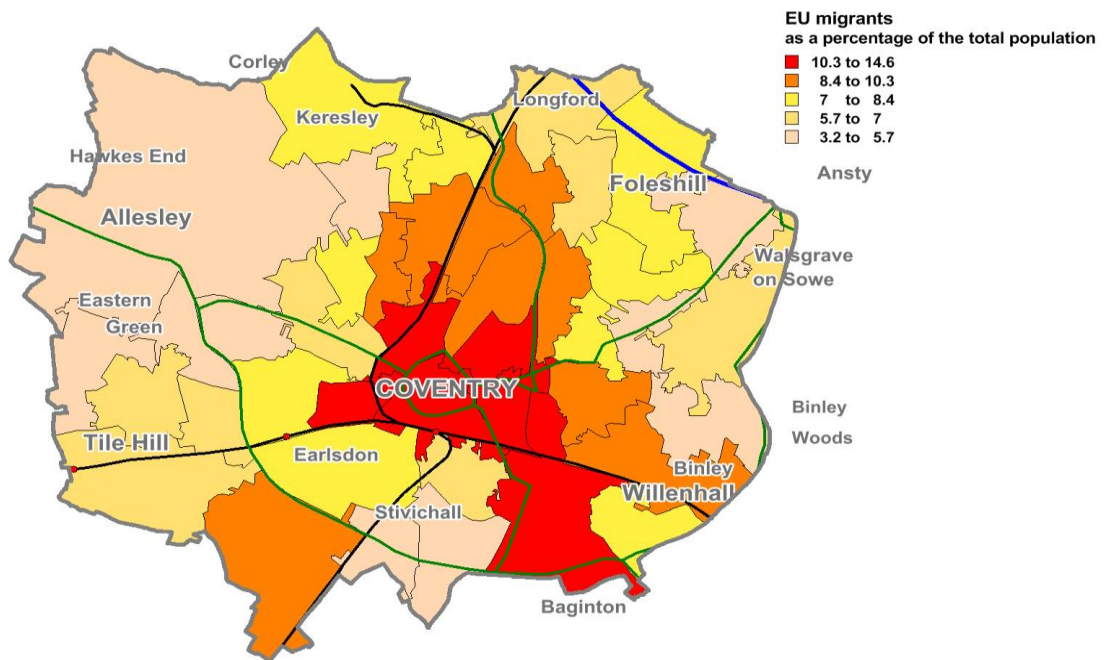


Figure 3- EU Migrants in Coventry

<sup>2</sup> <https://www.hesa.ac.uk/news/11-01-2018/sfr247-higher-education-student-statistics/location>



The City has experienced high levels of migration into certain wards and as a result, has seen further demand on already stretched public services. This, has in turn placed extra pressure on the housing sector and the likelihood is that a large number of migrants will seek affordable accommodation in HMOs across the city.

### 4.3 Strategic Context

Section 57 (2) of the Housing Act 2004 states that before making a designation the authority must ensure that any exercise of the power is consistent with the authority’s overall housing strategy.

The Council Plan takes forward the main themes agreed by the Council in recent years. It reaffirms the Council’s ambition – developed with the Strategic Partnership and partners to make Coventry: A Top Ten City.

This ambition is driven through three corporate priorities which directly address the needs of the city:

- 1) Promoting the growth of a sustainable Coventry economy by;
  - Supporting businesses to grow
  - Creating the infrastructure for the city to grow and thrive
  - Developing the city centre for the 21st century
  - Raising the profile of Coventry
  - Helping local people into jobs
  - Reducing the impact of poverty
  - Increasing the supply, choice and quality of housing.
  - Increasing access to arts, sports & cultural opportunities including leisure, music and events

- 2) Improving the quality of life for Coventry people by;
  - Creating an attractive, cleaner and greener city
  - Making communities safer together with the police, to reduce crime and anti-social behaviour
  - Improving educational outcomes by working with schools to continue to improve standards
  - Improving the health and wellbeing of local residents
  - Protecting our most vulnerable people
  - Reducing health inequalities
- 3) Delivering our priorities with fewer resources by:
  - Making savings so that we can support frontline services
  - Support the regeneration of Coventry's economy
  - Change how we work to become more flexible and adaptable
  - Empowering citizens and encouraging active communities
  - Working together with neighbours and partners across the voluntary, public and private sectors

The Health and Wellbeing Strategy 2016-19 recognises that creating health, wealth and happiness requires more than simply managing people's health problems. The health and wealth being of people can be improved if people have jobs, good housing, and are connected to families and communities. By working together to deliver three priority areas Coventry Health and Wellbeing will make the biggest difference to the lives of Coventry people.

The Council's Housing Strategy 2013-2018 affirms the Council's view that housing plays a crucial role in the economic growth of the City. The ambition for Coventry is "*to ensure decent homes, housing choice and support for Coventry citizens*" through various themes including:

- 1) Increase the supply, choice and quality of new housing
- 2) Prevent and tackle homelessness
- 3) Strive for a healthier and more sustainable City by improving the quality and use of stock; and
- 4) Encourage balanced, stable and sustainable communities.

Beneath these themes there are number of key priorities, most notable for this report being :Regenerate neighbourhoods where poor quality, low demand housing exists.

- Improve energy efficiency and affordable warmth across all tenures.
- Improve property condition and management standards in the private rented sector.
- Improve the quality of our neighbourhoods to support safe, inclusive and cohesive communities.

The Housing Strategy links into the Council Plan and the Health and Wellbeing Strategy by contributing to the delivery of the key corporate priorities but also in supporting the local economy through ensuring communities have stable and safe places to live.

Regulatory Services is responsible for regulating the housing sector and embraces a range of service areas used by people, businesses and organisations and through this work profile "***seeks to ensure that the public, visitors, workers and residents of Coventry have a healthy and safe work and domestic environment.***" through education, persuasion and enforcement activities. The teams

within the service are responsible for ensuring properties and landlords in the Private Rented Sector meet minimum legal requirements.

The service has been working with landlords to improve conditions within the HMO stock of the city through the national mandatory HMO licensing scheme as well as statutory regulatory functions relating to maintaining minimum standards in properties in the rented sector.

A variety of interventions have been used in Coventry to tackle problems in the HMO stock in the city. These range from providing advice and support to landlords and tenants through to the use of legislative powers to raise standards within HMOs.

The primary driver for all of the work carried out by the team is the protection of the health, safety and welfare of residents living in HMO's whether it is acting in an advisory role or regulatory role through enforcement. Where serious breaches occur legal action has been taken which has led to convictions and formal action. The outcome of this work is a healthier and safer environment in which people live.

Operational partners include the various teams within Regulatory Service, Environmental Health, Housing Department and Planning Services.

The teams within these service areas all contribute to the Councils Corporate objectives and there are also strong links with external agencies including in particular West Midlands Police and West Midlands Fire and Rescue Service.

The Coventry Police and Crime Board brings together a range of agencies who work together to make Coventry a safer, more confident city. The Safety Partnerships was created in 1998 in response to a requirement within the Crime & Disorder Act. A number of agencies were given "Responsible Authority" status that places a statutory duty on them to work together and do all they reasonably can to prevent, detect and reduce crime and nuisance and prevent re-offending. These agencies must work with local businesses and communities to improve the safety of the communities they live and work in.

In essence, this requirement was to aid the coordination of multiple resources, tools, legal powers and services of local agencies, businesses and residents with the ultimate aim of making Cities safer.

The work of Community Safety Partnerships is guided by an annual strategic assessment of threat and risk, which provides evidence with which to determine local need and priorities for agencies to plan action to address those priorities.

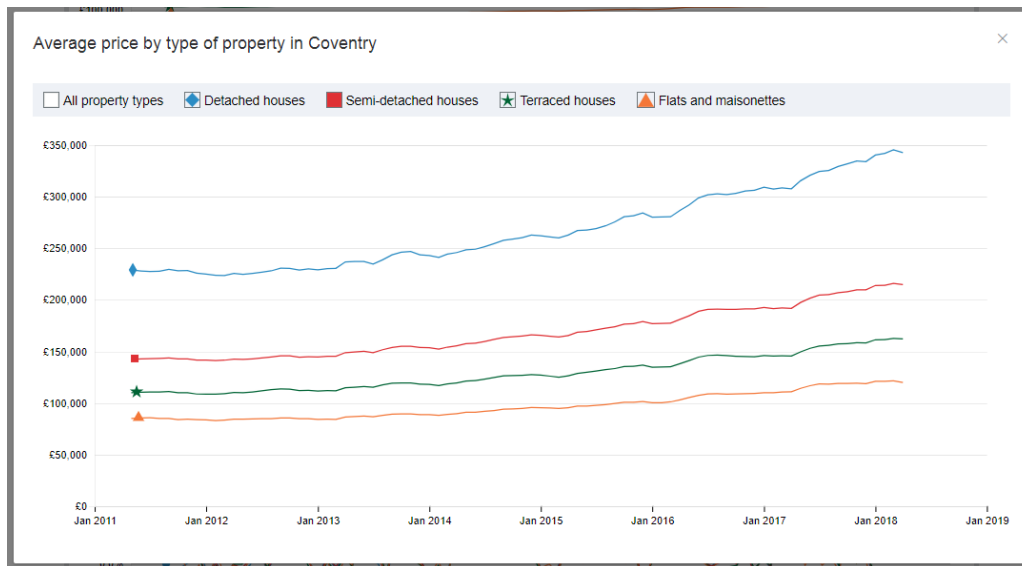
The relationship with private landlords and letting agents within the city and other stakeholders has developed over the years and events are held to inform landlords and agents of key issues that may affect them. The service also meets with letting agents, college domestic bursars and other strategic partners on a regular basis.

Despite the above many landlords remain disengaged until formal action is pursued by the Council.

#### **4.4 Housing in Coventry**

There is a housing shortage in Coventry with an estimated 14,000 households on the waiting list for housing there is a particular need for larger 3 and 4 bedroom properties. Affordability is also a major concern issue. As can be seen from Figure 4 the average house price for property has increased considerably over the past 10 years in all property types.

Figure 4- Average house price in Coventry



In 2011, the vast majority (82%) of the 133,185 homes in Coventry were in private ownership, while around one in five (18%) of homes were considered affordable housing and were mainly owned by registered providers.

An over-representation of terraced housing also exists within the City. The 2011 Census reported that 43% of housing in Coventry was terraced. In contrast, 10% of households in the City are detached and over a quarter (28%) are semi-detached.

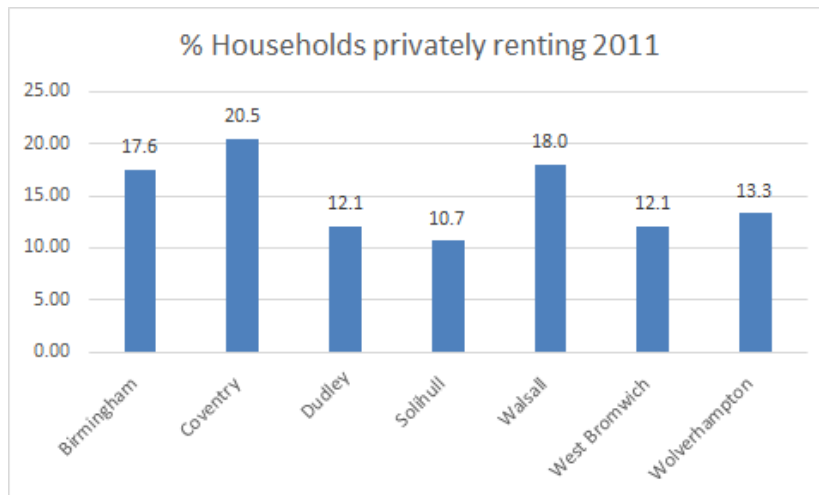
It is well reported that poor housing conditions, including overcrowding and homelessness, are associated with property age and the effect of such conditions have a direct impact on health including in particular, cardiovascular diseases, respiratory conditions and mental health problems.

#### 4.5 The Private Rented Sector

The PRS in Coventry has seen considerable growth over the past 20 years or so. In 2001 the sector was reported to be around 13% - Census 2001 and had increased to around 20% by 2011, making Coventry the region in the West Midlands with the largest PRS.

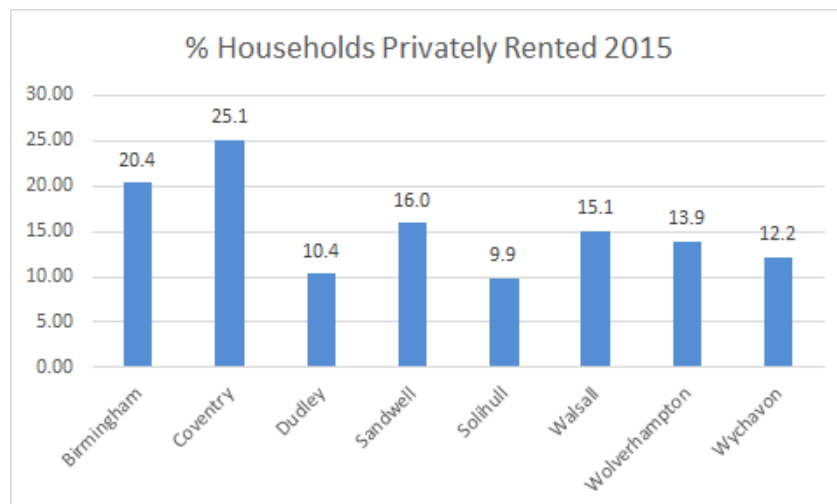
Figure 5 below provides the comparison of the percentage of PRS in the West Midlands and surrounding areas for 2011.

Figure 5- % households in PRS in West Midlands area 2011



In 2015, the Office for National Statistics released tenure estimates by Local Authority for owner occupied and private rented dwellings. These estimates indicated that the PRS had increased since the 2011 census to 34,326 (25.06%) and although these were estimates and not 'official' statistics' this provides a clear indication that the PRS in Coventry is expanding year on year. Figure 6 below provides the comparison for the local area.

Figure 6- % households in PRS in West Midlands region 2015



#### 4.6 HMOs in Coventry

The council must consider that a significant proportion of the HMOs of that description in the area are being managed sufficiently ineffectively as to give rise, or to be likely to give rise, to one or more particular problems either for those occupying the HMOs or for members of the public.

HMOs are a major concern in Coventry. It is estimated that Coventry is one of the top ten authorities having the highest number of HMOs in England and Wales with around 6,800 HMOs or 26% of the total PRS stock.



They form an unusually high percentage of houses in the city and provide much needed accommodation for residents, particularly students who would typically live in this type of accommodation.

Planning policy has been developed by the Council to create and sustain as appropriate 'mixed and balanced communities', by encouraging the spread of sustainable and viable options for accommodation. Notwithstanding, the city does have large areas where HMOs within the PRS are substantial in number.



The Census 2011 provides data on the percentage of multi occupied (HMO) properties in the PRS, which is shown in Figures 7 and 8 below. The percentage is reported as a proportion of the total PRS stock and Figure 8, in particular clearly shows that there is a large concentration of HMOs in certain wards focussed within close proximity of the City centre and the two major university complexes.

An analysis of the Housing Strategy Statistical Appendix (HSSA) was carried out to determine how this compared to the rest of the UK.

The HSSA is a statistical return to support the development of annual Housing Strategy. It is mainly basic and policy orientated data on all tenures within each local authority's own geographical area and covers a wide range of information including, amongst other things, the total number of properties estimated in the PRS and the total number. With this information available the Council is able to compare the % of HMOs across the country.

Based on the HSSA returns there is an estimated 2,511,137 properties in the PRS, of which 426,834 are reported to be HMOs. This represents a 17% average across the 325 LA's that completed the HSSA return in 2011.

From the percentages shown in Figure 7 it is clear that despite there being a large concentration of HMOs in and around the City centre there are above average numbers across a large number of wards generally, with only 5 falling below the estimated national average of 17% (Bablake, Wyken, Henley, Holbrook and Longford).

Figure 7- Percentage of HMOs by ward

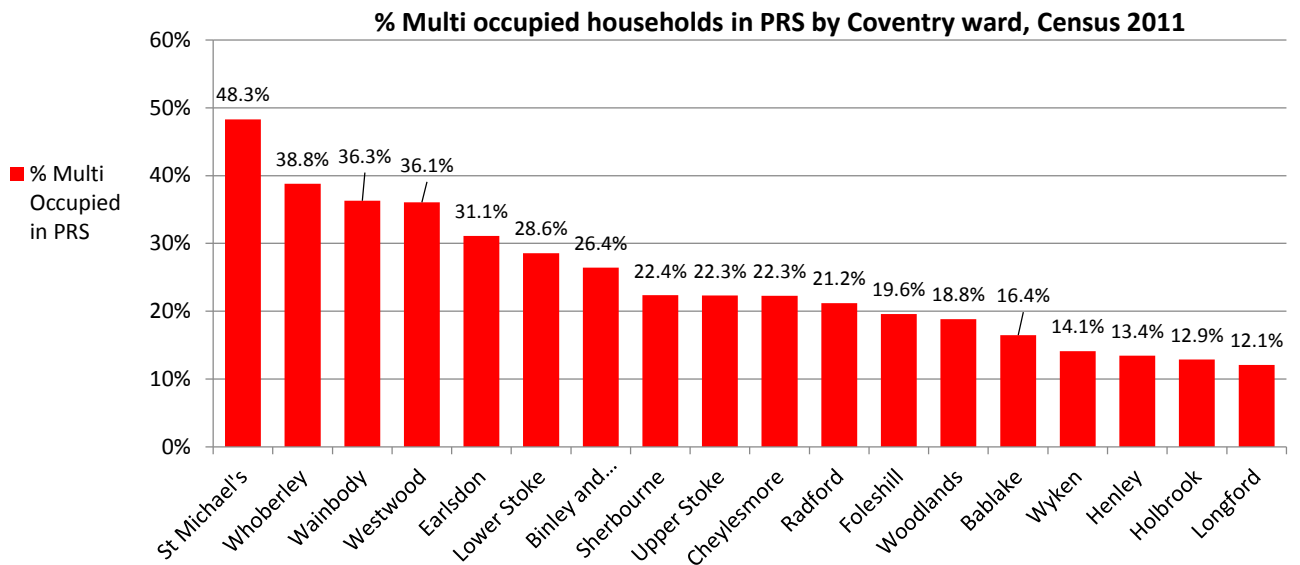
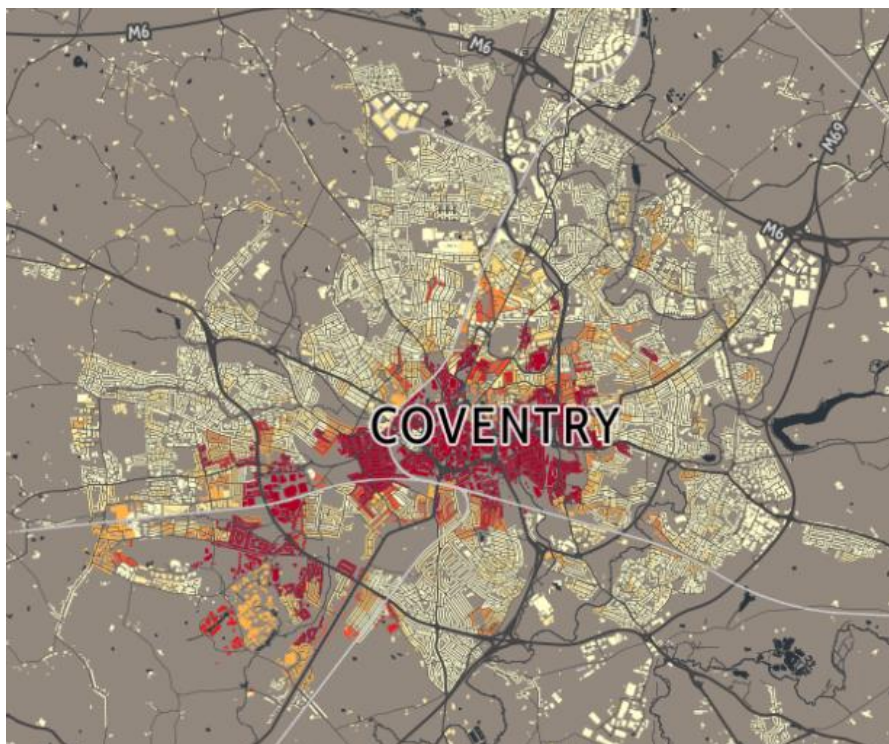


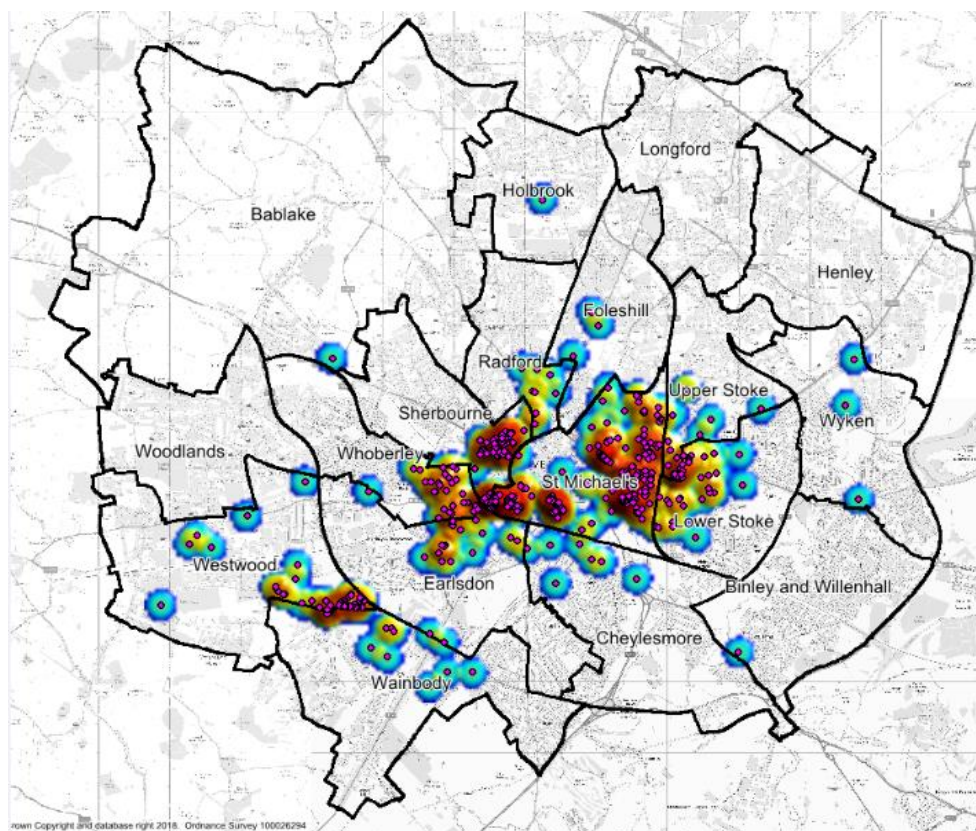
Figure 8- Census 2011 multi occupied properties



## 4.7 Mandatory Licensing of HMOs

Under the Housing Act 2004 certain types of HMO were defined as licensable. For these HMOs there is an obligation on the landlord to apply to the local authority, where the HMO is located, for a licence. Local authorities, therefore, must be in a position to manage the application for licences. At the time of writing this report licensable HMOs are those that are of three or more storeys with five or more residents living as two or more households that share some facilities. The total number of licensable HMOs of this nature in Coventry, using this definition is estimated to be 1,190. The Council has issued around 500 licenses for mandatory HMOs and 129 new applications waiting to be determined. Figure 9 below provides the profile of licensed HMOs across the City.

Figure 9- Licensed HMOs in Coventry 2018



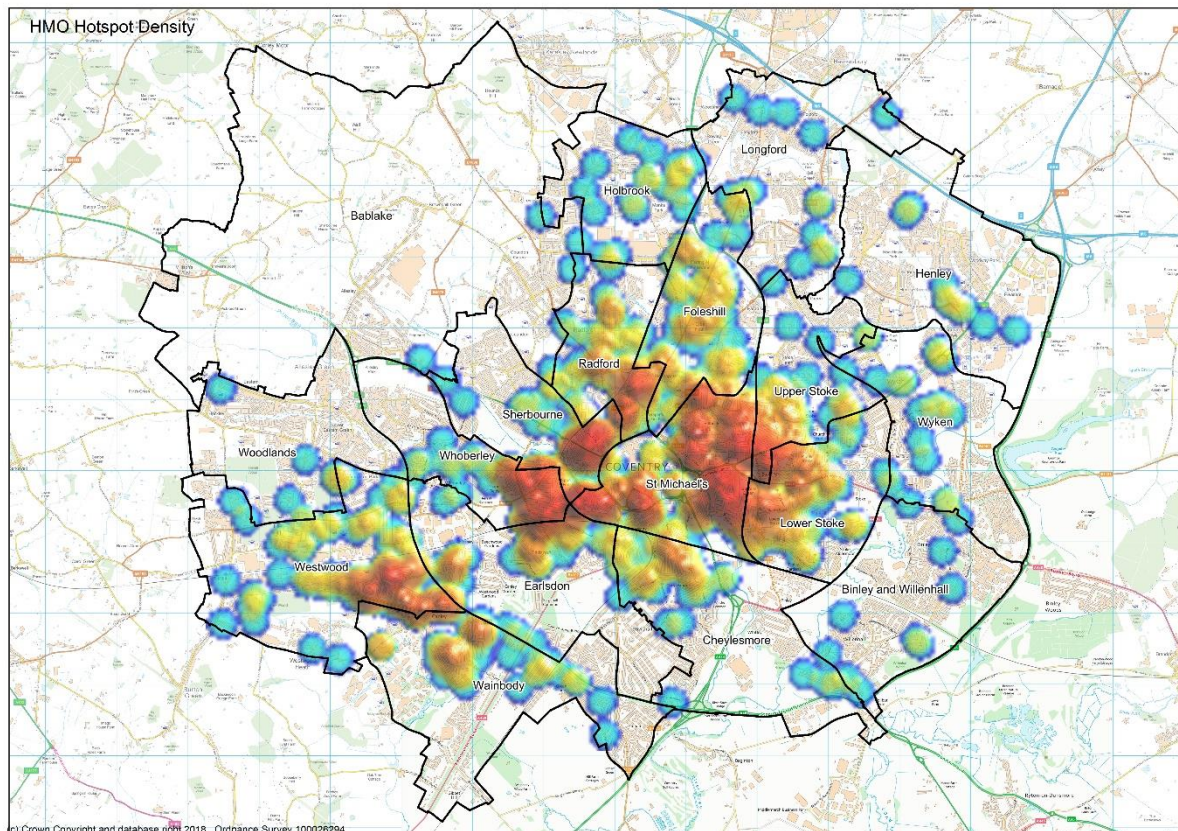
From 1<sup>st</sup> October 2018 the definition of a mandatory licensable HMO will change and the rule regarding 3 or more storeys will be removed. All properties that meet the following criteria will therefore require a mandatory HMO licence:

- It is occupied by five or more persons;
- Is occupied by persons living in two or more separate households; and meets—
- The standard test under section 254(2) of the Act;
- The self-contained flat test under section 254(3) of the Act but is not a purpose-built flat situated in a block comprising three or more self-contained flats; or
- The converted building test under section 254(4) of the Act.



The Council estimates that this change will bring an additional 1,200 HMOs into the mandatory licensing regime in October 2018 increasing the total estimated number of licensable HMOs in Coventry to approximately 2,400. Despite this intervention by the Government there will still be an estimated 4,400 HMOs in Coventry that will not be subject to licensing provisions. Figure 10 below provides the estimated hotspot density for HMOs by cross referencing the Local Land and Property Gazetteer (LLPG) street records for a combination of Council Tax data and licensed HMOs. As mentioned a large number of these suspected HMOs will fall outside of the mandatory scheme.

Figure 10- HMO Hotspot Density 2018



#### 4.8 Property Conditions

Local authorities have an obligation under the Housing Act 2004 to keep housing conditions in their area under review. This includes all tenures of housing, not just stock that may be owned by the local authority.

Councils also have an obligation to enforce certain statutory minimum standards in housing and have powers that they can use to do this, while further non-mandatory powers are available to the Authority under the Housing Act 2004. To meet this obligation, Coventry City Council commissioned a survey on a random sample of housing within the city in 2012/13.

Information concerning the HMO stock in the city has historically been built up from operational records, however, landlords and agents are most reticent to provide the Council with data unless specifically required to do so. Additional Licensing will enable the collection of more detailed and accurate information about the HMO stock. This is one of the less apparent benefits of licensing.

The Council has developed a number of policies and strategies to further develop its overall approach to the housing stock and the Stock Condition Survey forms an important contribution to the full evidence base which underpins local policies and strategies towards improving housing standards.

The figures below provide relevant information regarding the stock and conditions in the Private Rented Sector and HMOs as reported in the stock condition survey.

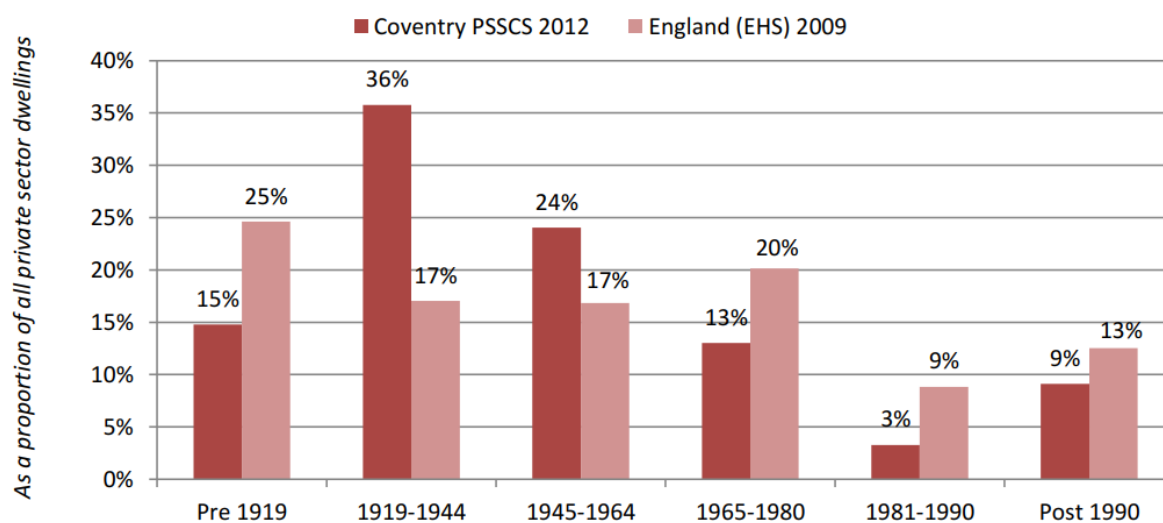
As previously described the DCLG guidance for the general approval provides examples of properties being managed “*sufficiently ineffectively*” and includes;

- 1) those where the external condition and curtilage (including yards and gardens) adversely impacts upon the general character and amenity of the area in which they are located; and
- 2) where the internal condition, such as poor amenities, overcrowding etc. adversely impact upon the health, safety and welfare of the occupiers; and
- 3) where the landlords of these properties are failing to take appropriate steps to address the issues.

The age of dwellings in the PRS is therefore an important consideration as there is a direct correlation between property age and conditions - the worse conditions are generally present in older stock types.

As can be seen from Figure 11 below the highest proportion of properties in the PRS are pre 1919 terraced type houses and inter war properties, which are present at over twice the national average.

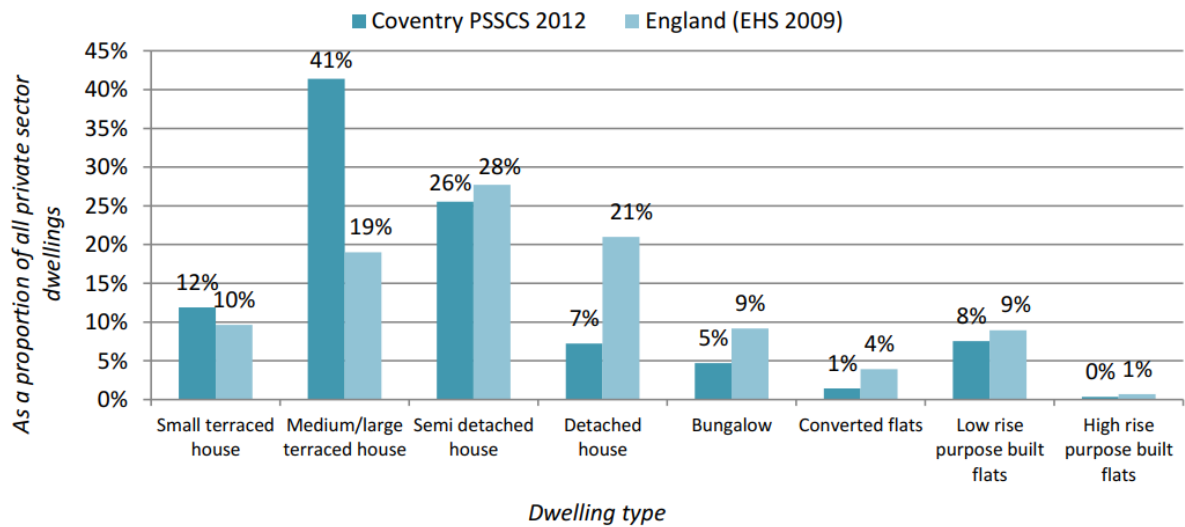
Figure 11- Dwelling Age in Coventry 2012/13



Dwelling type is also an important consideration and correlates with the issue of poor property conditions. In Coventry almost half of all the stock in the PRS is a medium or large type terraced house, which again is double to that found in England. This is particularly relevant in the case of HMOs as it is more likely that these larger type properties are in HMO use as a result of their size and internal configuration.

Figure 12 below provides the dwelling type profile across the whole of the PRS for different property types.

Figure 12- Dwelling type in Coventry 2012



#### 4.9 HHSRS

The Housing Health and Safety Rating System (HHSRS) provides the minimum standard for housing, in that a property should be free from a category 1 hazard. There are 29 criteria for assessing hazards in a property and typically hazards arise from faults or deficiencies in the dwelling which could cause harm.

In short, a dwelling should be able to supply the basic needs for the everyday life of the range of households who could normally be expected to live in a dwelling of that size and type. The dwelling should not contain any deficiency that might give rise to a hazard which interferes with, or puts at risk, the health or safety, or even the lives, of the occupants.

The Council is under a duty to take action in the case of category 1 hazards and if necessary it may carry out any necessary remedial work and reclaim the costs. The Council has a power (discretion) to take action in the case of all category 2 hazards (i.e. those which carry lower risks).

As can be seen from Figure 13 below the stock condition survey reported that there were 17% of properties in the PRS that had a Category 1 hazards, slightly below the national average.

Figure 13- Cat 1 hazards in PRS Coventry

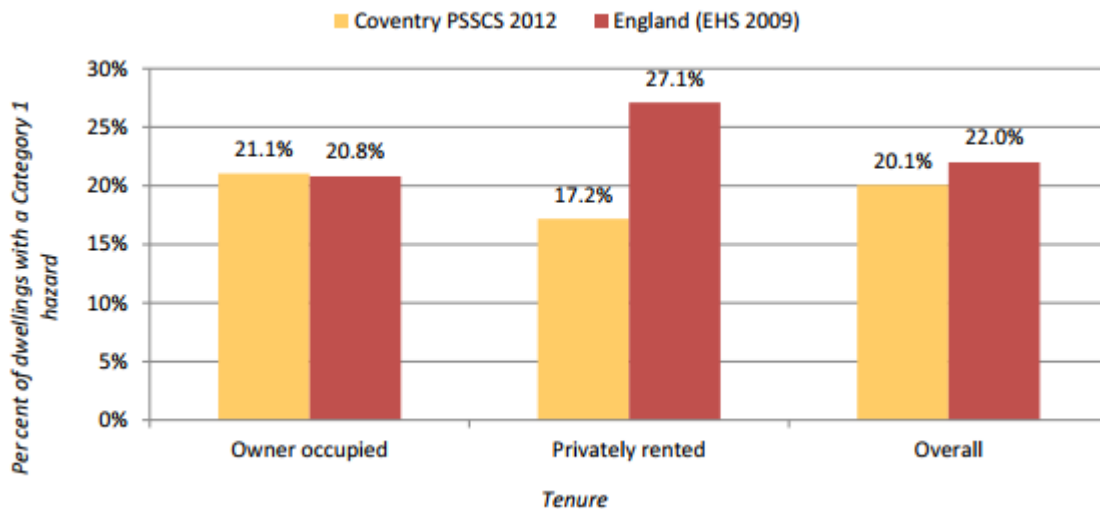
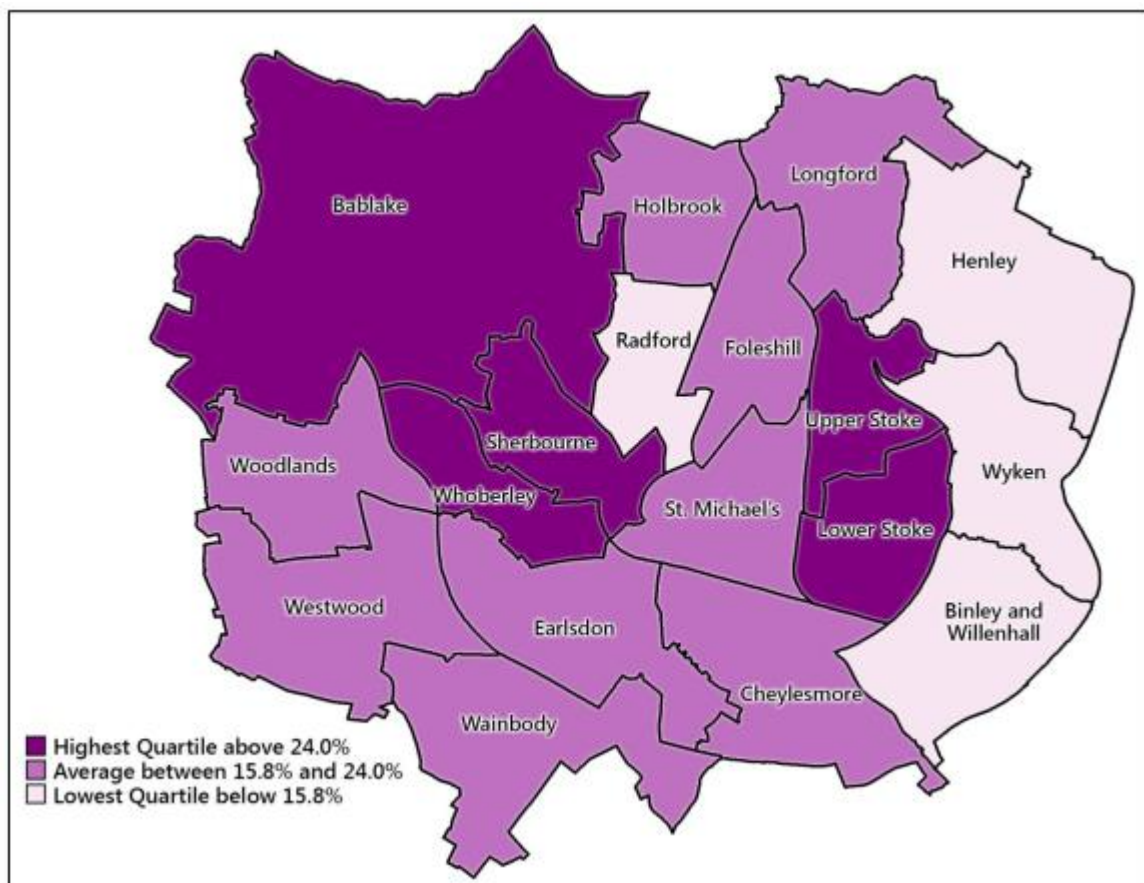


Figure 14 provides the concentration of Category 1 hazards by ward. It is apparent from this profile that over 77% of the wards in the city have above average levels of hazards.

Figure 14- Cat 1 hazards by ward



The stock condition survey also identified the hazard criteria which were most prevalent in HMOs and the private rented stock. As shown in Table 2 below the two main hazards in HMOs were excess cold and falls on stairs.

Table 2- Hazard profiles in HMOs and PRS



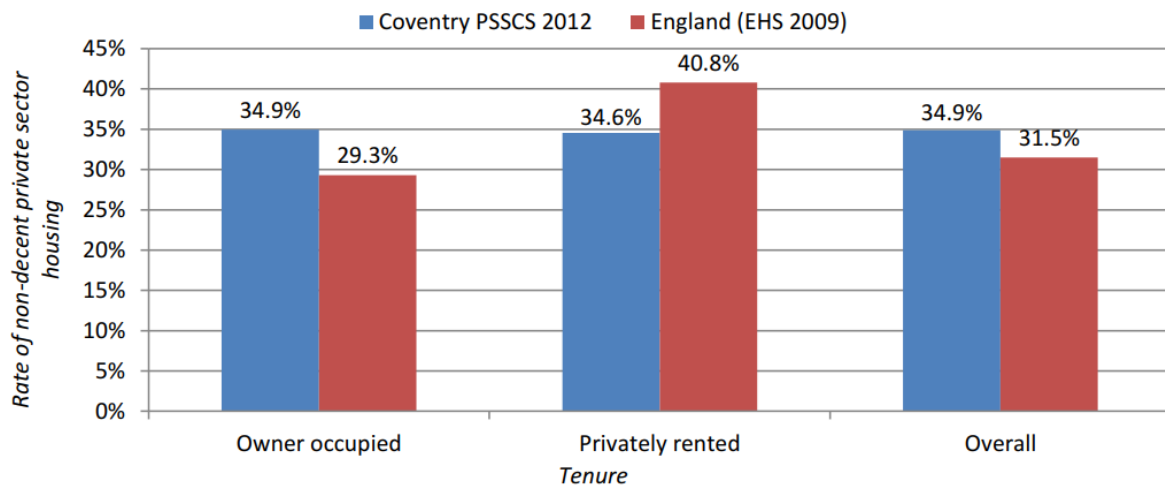
Category 1 hazard	HMOs		Private Sector	
Excess cold	550	9.9%	13,070	11.9%
Falls on stairs	520	9.3%	7,460	6.8%
Falls on the level	200	3.6%	2,410	2.2%
Falls between levels	90	1.6%	160	0.1%
Fire hazard	40	0.8%	70	0.1%
Flames & hot surfaces	0	0.0%	40	0.0%
Damp & mould	0	0.0%	100	0.1%
Overcrowding	0	0.0%	60	0.1%

#### 4.10 Non Decent Homes

The Decent Homes Standard is a minimum standard under which all homes must: be free from any hazard that poses a serious threat to health or safety; be in a reasonable state of repair; have modern facilities and have adequate levels of thermal comfort.

It is estimated that there are 38,400 private sector dwellings (34.9%) that are non-decent in Coventry. This compares to 31.5% of private sector stock (owner occupied and privately rented) for England as a whole.

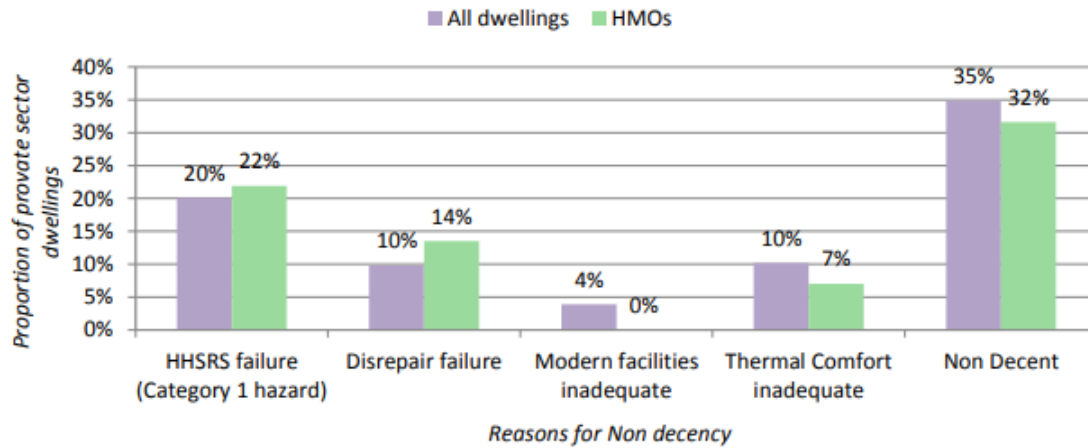
Figure 15- Non decent homes in Coventry PRS



The reasons for non-decency were identified as part of the survey and showed that most prominent failure was due to HHSRS with 17% of properties in the PRS failing this element of the criteria. As can be seen from Figure 16 below non decent HMOs were slightly less prevalent in the HMO sector than in the housing stock as a whole but there were greater levels of Category 1 hazards and disrepair found in this type of accommodation.

Figure 16- Criteria for non decent homes in HMOs





In addition to HHSRS and the Decent Homes Standard, HMOs are also required to be “reasonably suitable for occupation”. HMO landlords should ensure that their properties that are in multiple occupation provide basic amenities, for example at least one bathroom (including a WC or with a separate WC) where there are up to four people sharing.

According to the stock condition survey most HMOs in Coventry have only one room set aside as a dedicated living room as more than this would reduce the rental potential on the dwelling. There are an estimated 170 HMOs with no dedicated living room.

HMOs surveyed were also found to have inadequate kitchen facilities, which represents an estimate of 140 across the city as a whole. There is no specific requirement for HMOs to have a separate room set aside as a living room, however, if no living room is present, individual bedrooms are required to be of a larger size. The Council has experienced a number of HMOs that have below minimum size bedrooms.

The Government has introduced a mandatory licence condition for minimum room sizes in HMOs which is enforced through the licensing provisions. Any HMO which does not require a licence would not be required to meet this condition and as such could house people in smaller undersized rooms.

In addition to basic facilities there is also a requirement to ensure that there are adequate fire precautions in all HMOs. In the case of licensable HMOs the landlord is required to ensure that there is a suitable and sufficient fire risk assessment, which would set out the general fire safety requirements within the HMO. In the case of HMOs which are not subject to licensing the Council has the power to apply management regulations and HHSRS. The latter would usually be on a reactive basis.

Table 3 provides the results of the stock condition survey and despite the substantial risk of not having smoke detection in a HMO, there are still 4% of 257 HMOs, 15% of licensable HMOs and 51% of other HMOs that had no smoke detector present. Approximately 94% of 257 HMOs, 35% of licensable HMOs and 29% of other HMOs have a mains wired smoke detector.

Table 3-- Fire safety measures in HMOs

Fire safety measure	Other HMOs		Licensable HMOs		S257 HMOs	
	HMOs	Per cent	HMOs	Per cent	HMOs	Per cent
Any smoke detector	1,590	49%	1,020	85%	1,120	96%
Mains wired smoke detectors	940	29%	410	35%	1,100	94%
Fire extinguisher	430	13%	370	31%	1,100	94%
Fire blanket	1,250	39%	640	53%	1,120	96%
Fire proof doors	2,200	69%	970	81%	1,120	96%
Protected escape route	430	13%	140	12%	1,100	94%
Fire safety notice	130	4%	270	22%	1,120	96%
Escape route free from obstructions	3,210	100%	1,190	100%	1,170	100%
<b>Total number of HMOs</b>	<b>3,210</b>	<b>100%</b>	<b>1,190</b>	<b>100%</b>	<b>1,170</b>	<b>100%</b>

#### 4.11 Complaints about HMOs

The Council considered those areas where there is a significant and persistent problem of anti-social behavior affecting other residents and/or the local community and where landlords of HMOs are not taking reasonable and lawful steps to eliminate or reduce the problems.

When deciding whether areas are suffering from anti-social behaviour (ASB) which a landlord should address, regard was given as to whether the behaviour is being conducted within the curtilage of the rented property or in its immediate vicinity and include acts of: intimidation and harassment of tenants or neighbours; noise, rowdy and nuisance behaviour affecting persons living in or visiting the vicinity; animal related problems; vehicle related nuisance; illegal drug taking or dealing; graffiti and fly posting; litter and waste within the curtilage of the property.

This methodology was adopted to identify the relationship between complaints and HMOs and where the lack of management or poor management skills or practices were otherwise adversely impacting upon the welfare, health and safety of residents and/or the wider community.

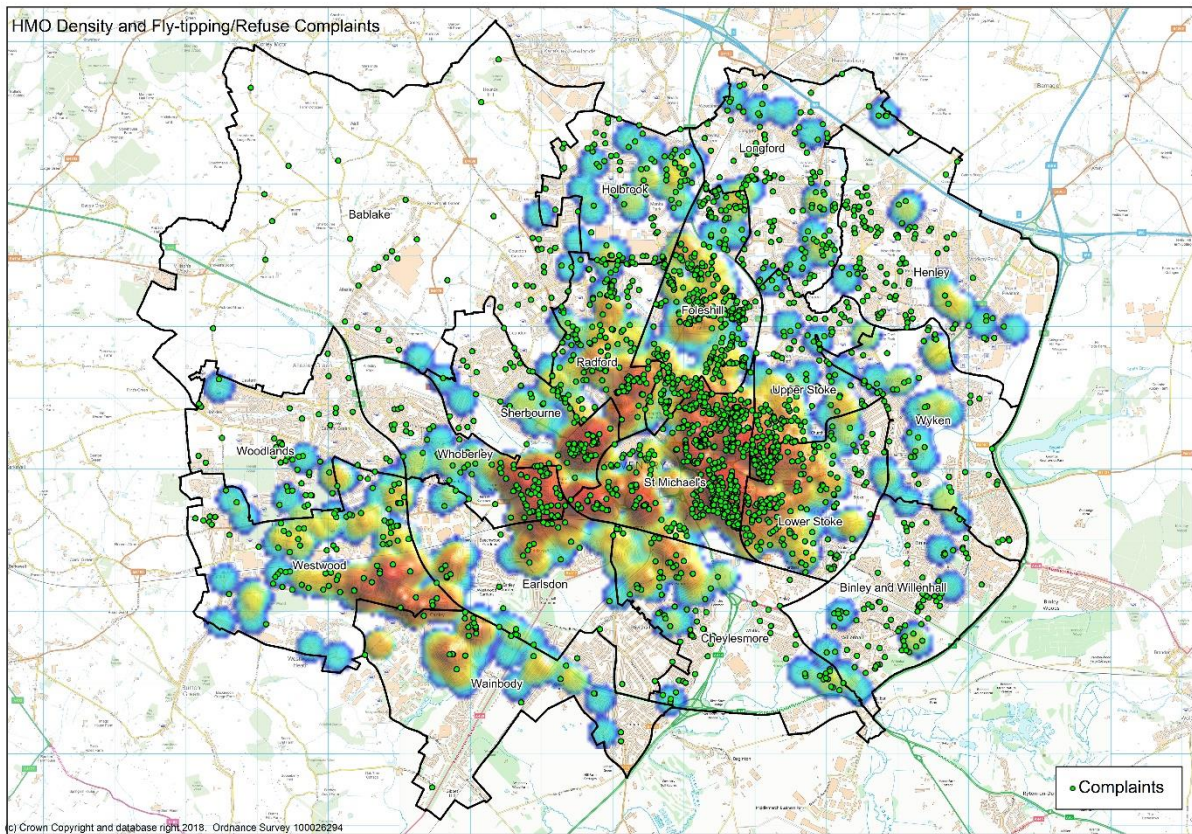
During 2016/18 the Council received a large number of complaints relating to the issues considered as shown in Table 4 below. What is also apparent is, that in the case of pests, fly tipping and noise these issues have increased from the previous year suggesting there is a growing problem. ASB issues, although significant are slightly lower than that of the previous year.

Table 4- Complaints in PRS

Complaint	2016/17	17/18	Difference
Pests	1502	2132	30% >
Fly Tipping/Refuse	3342	4704	29% >
Noise	3286	3523	6.7% >
ASB	18,197	17,977	1.2% <

The concentrations of these issues have been represented in Figures 17 & 18, which clearly show the “hotspots” for complaints and how these correspond with the location of suspected HMOs.

Figure 17- HMO density and fly tipping and refuse complaints



As can be seen from Figure 20 above there is a strong correlation between fly tipping and refuse complaints and HMOs.

During 2016 the Council received 2,440 complaints alone regarding rubbish. Of particular interest was those areas which showed an increase in these complaints. Table 5 below shows where the complaints were concentrated by LSOA.

Table 5- Refuse complaint by LSOA

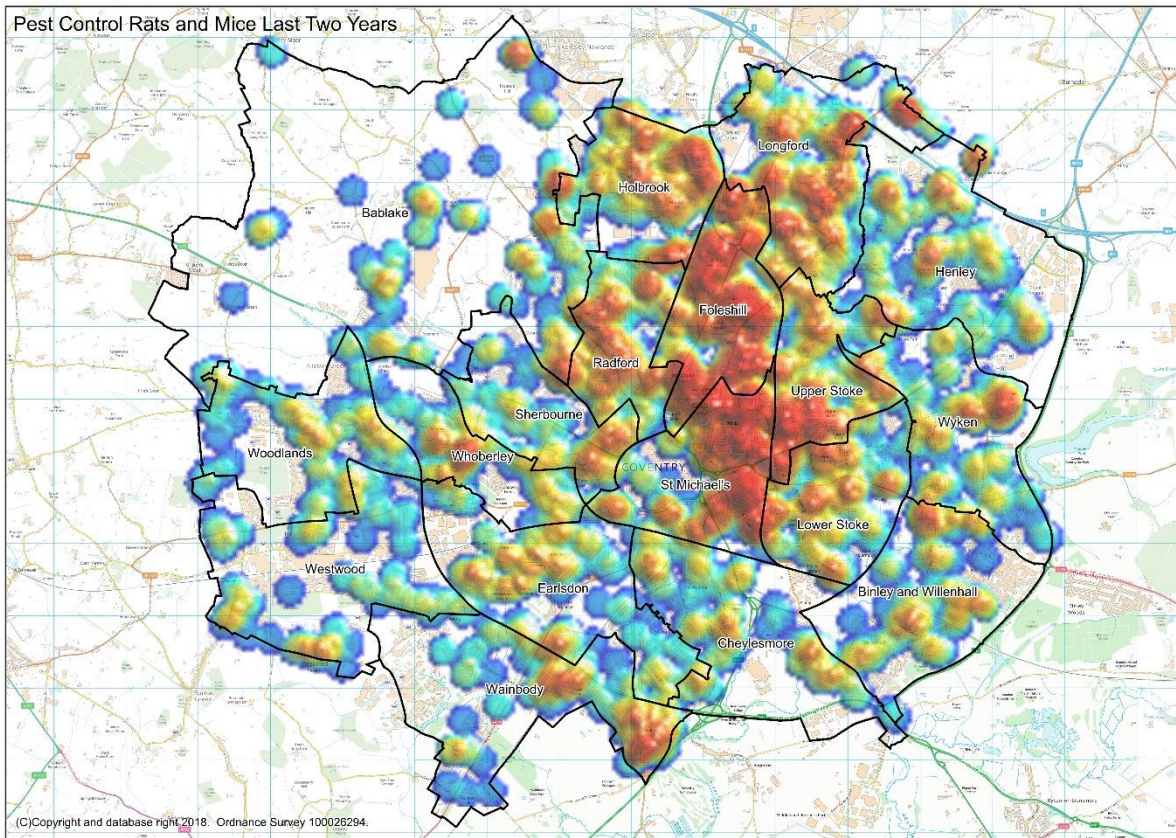
LSOA Code	LSOA Name	Mainly in Ward
E01009548	Friargate & Parkside –Technology, N. Cheylesmore	St Michael's
E01009553	Central Six Retail Park - Queens Road	St Michael's
E01009564	Little Heath – King Georges Avenue	Foleshill
E01009567	Edgwick - Canal Road	Foleshill
E01009568	Parting of the Heaths - Durbar Avenue	Foleshill
E01009569	Edgwick - Gallagher Retail Park Cross Road	Foleshill
E01009570	Foleshill - Broad Street	Foleshill
E01009571	Paradise - Awson Street	Foleshill
E01009572	Foleshill - Paragon Park Red Lane	Foleshill
E01009573	Bishopgate - George Elliot	Foleshill
E01009574	Swanswell - Leicester Causeway	Foleshill
E01009575	Arena Retail Park - Arbury	Foleshill
E01009577	Aldermans Green - Deedmore Road W	Henley
E01009607	Bell Green - Roseberry Ave	Longford
E01009615	Stoke Park	Lower Stoke

E01009619	Peugeot, Dominion Plaza & Humber Road North	Lower Stoke
E01009624	Jubilee Crescent	Radford
E01009626	Daimler Green - North Capmartin Road	Radford
E01009629	Daimler Green – Electric Wharf	Radford
E01009630	Radford - Lawrence Saunders Roads	Radford
E01009631	Barker Butts - Bablake School Thomson Avenue	Radford
E01009633	Charterhouse - St Georges Road	St Michael's
E01009634	London Road - Acacia Northfields Roads	St Michael's
E01009636	Hillfields - Swans Lane Thacknall Street	St Michael's
E01009637	Hillfields - Cambridge Street	St Michael's
E01009638	Hillfields Village & Motor Museum	St Michael's
E01009639	City Farm North	St Michael's
E01009640	Hillfields - Coronation Road Swanswell Basin	St Michael's
E01009641	Hillfields - Canterbury Raglan Streets	St Michael's
E01009650	Upper Holyhead Road – Minster Road	Sherbourne
E01009651	Lower Spon Street	Sherbourne
E01009658	Stoke Heath - Dane Road North Allotments	Upper Stoke
E01009660	Stoke Church End - Shakespeare Street	Upper Stoke
E01009661	Gosford Green - Kingsway	Upper Stoke
E01009663	Wyken Croft North	Upper Stoke
E01009665	Wainbody - Cannon & Cannon Park Roads	Wainbody
E01009683	Earlplace Business Park - Middlecotes	Westwood
E01009689	Earlsdon Hearsall Lane – Melbourne Road North, The Butts	Whoberley
E01032538	Longford Village & Longford Park	Longford

Further data was analysed in relation to the number of pest control visits made by the Council. Figure 18 below provides the profile for the past two years.

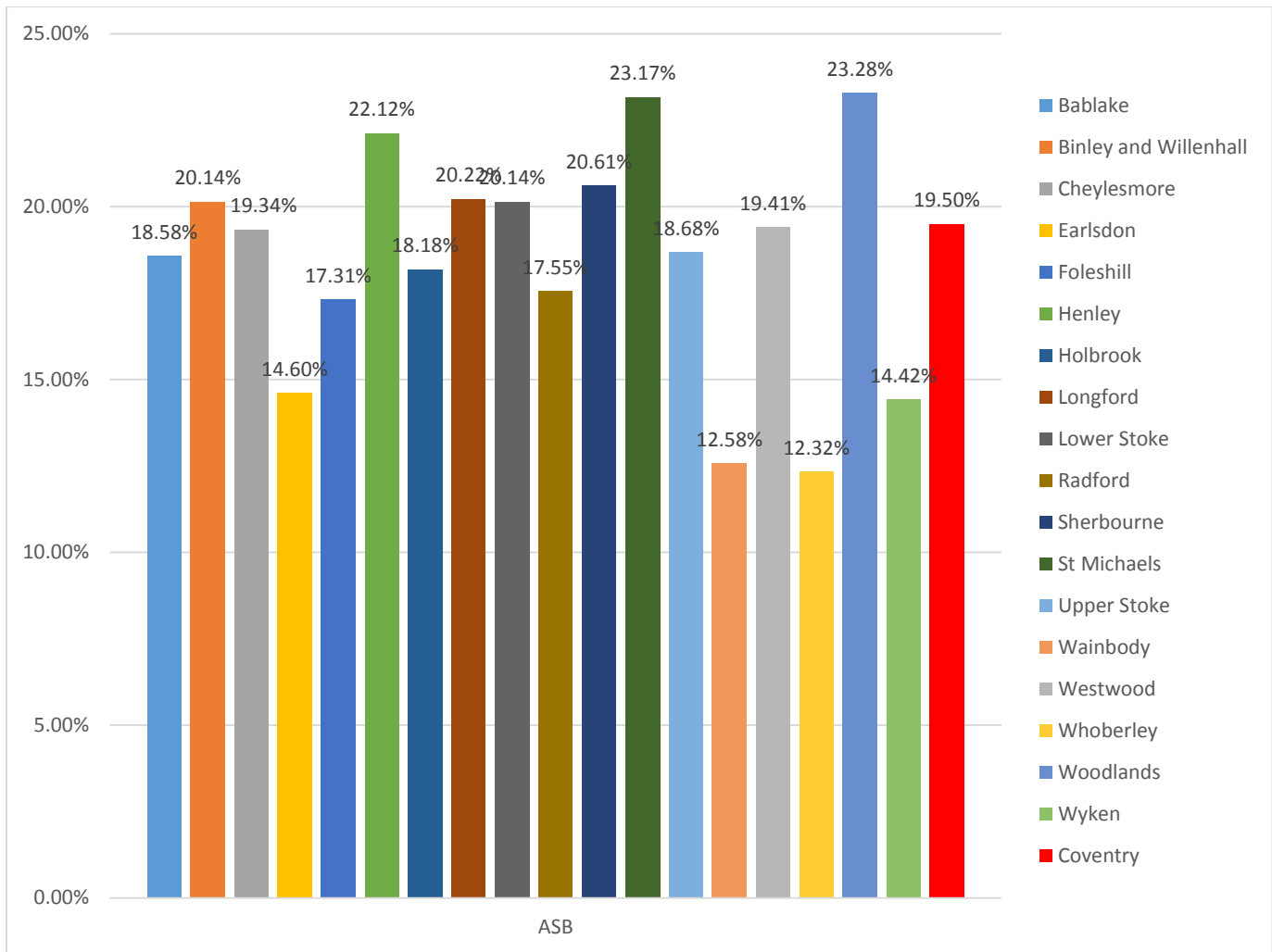
*Figure 18- Pest control visits last two years*





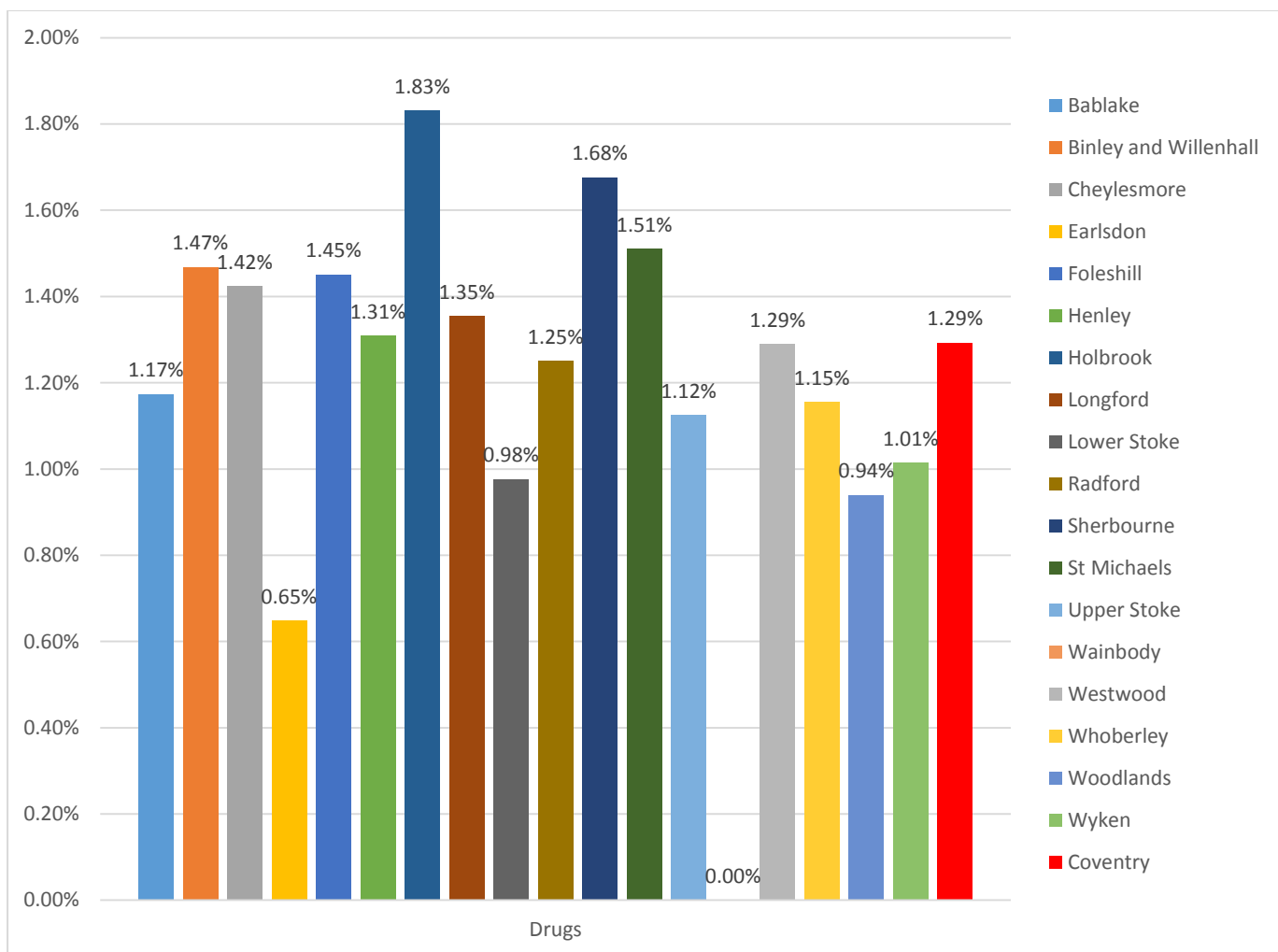
National ASB crime rates by ward are shown in Figure 19 below. Based on ASB crime rates reported during 2017 and 2018 the average for Coventry is 20% of all crime. Analysis of the ward figures identified significant concerns across all wards with 7 wards in particular (Binley and Willenhall, Henley, Longford, Lower Stoke, Sherbourne, St Michaels, and Woodlands) showing above average problems than those of Coventry as a whole. A further 5 wards (Bablake, Cheylesmore, Holbrook, Upper Stoke, and Westwood) were within 1% of the Coventry average for ASB crime related issues.

Figure 19- ASB crime rates by Ward



Drug related crime was also considered as part of the issues that relate to problems of ASB in areas. Figure 20 below provides the breakdown for each ward and Coventry.

Figure 20- Drug related crime by ward.

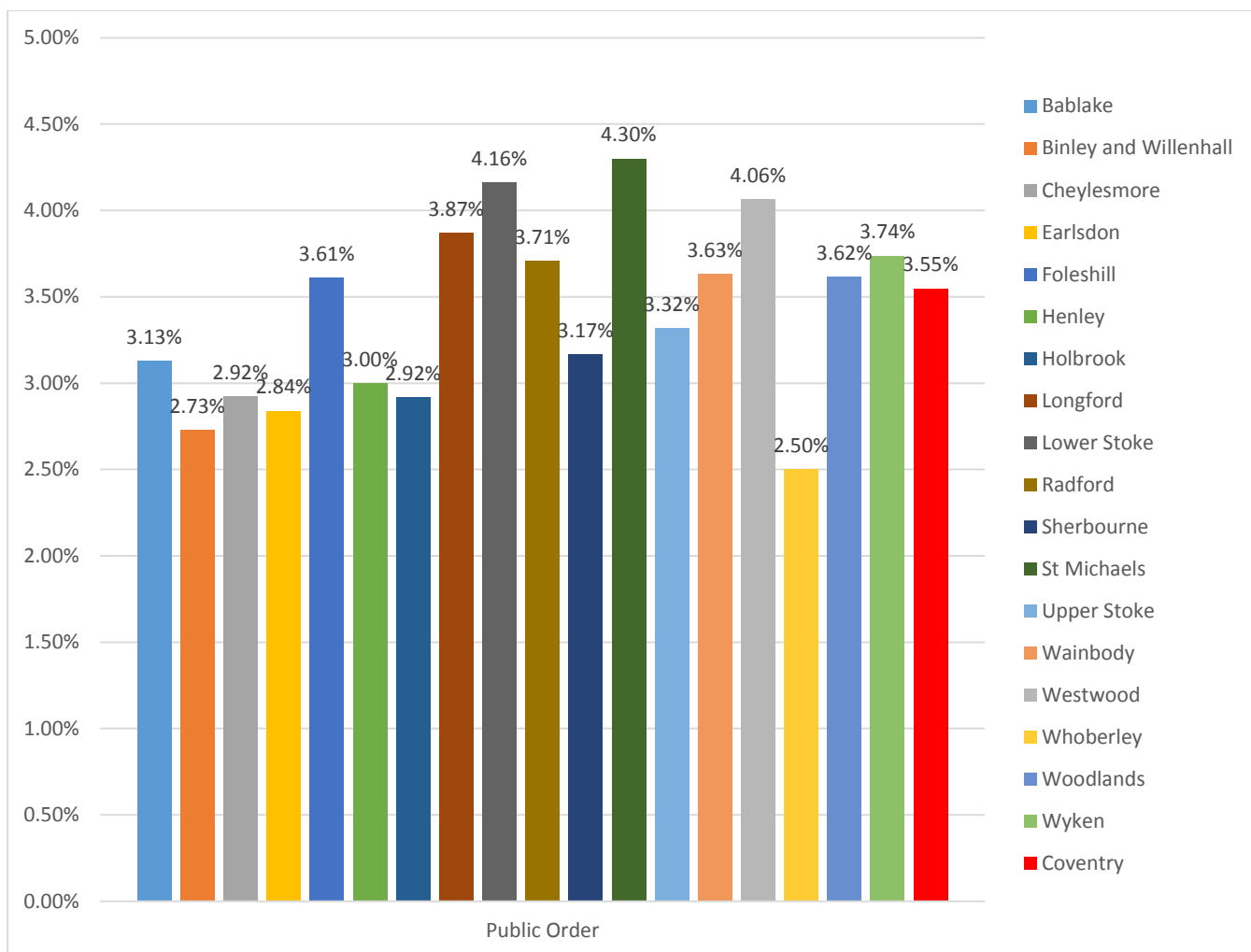


Drug related crime is running at an average for Coventry during 2017/18 of 1.3% of all crime. A number of wards were above the city average including, in order of highest, Holbrook (1.8%), Sherbourne (1.7%), Binley and Willenhall (1.5%), Foleshill (1.5%), St Michael`s (1.5%), Cheylesmore (1.4%), and Longford (1.4%). Henley and Westwood wards had similar averages for drug related crime to those of the City.

Public Order is defined as "crime which involves acts that interfere with the operations of society and the ability of people to function efficiently", i.e., it is behaviour that has been labelled criminal because it is contrary to shared norms, social values, and customs, in other words 'anti- social'.

Figure 21 below provides the public order crime rates average for Coventry during 2017/18 and as can be seen Foleshill, Longford, Lower Stoke, Radford, St Michael`s, Wainbody, Westwood, Woodlands and Wyken all have similar averages to those of the city at 4%. The worst area for public order crime is St Michaels ward at 4.3% closely followed by Lower Stoke at 4.2%.

Figure 21- Public Order crime rates by ward.



## 5. Conditions in HMOs

The problems associated with living in a HMO have been well documented over the years and are known to professionals working in the sector. In the 1980's the then Department for Environment (DOE) commissioned a survey of HMOs which noted that *“four fifths lacked satisfactory means of escape – and that – risk of death or injury from fire in a HMO is ten times that in other houses”*.

The English Housing Survey (EHS), which is an annual survey conducted to *“determine people's housing circumstances and the condition and energy efficiency of housing”* Department for Communities and Local Government (2014) *English Housing Survey – Headline report* DCLG February 2015, reported that HMOs are often old, solid wall properties with low levels of insulation and sometimes expensive electric heating systems and.... *“Section 257 HMOs pose particular problems because they are by definition older, poorly converted properties”*.

The experience over the years, in Coventry, is that some of the worst conditions are present in HMOs.

### 5.1 Case Studies

As there are limited proactive visits to non-licensable HMOs, these houses have come under notice through a variety of sources. Some emerged as a by-product of desktop searches of Regulatory Service records cross-referenced to information obtained from Council Tax, the Electoral Register and HM Land Registry.



Others were based on information gathered over a number of years from tenants' service requests, from the former registration scheme, from other house condition surveys and from other services visiting areas where HMOs are prevalent. Although primarily aimed at houses subject to mandatory licensing these sources are also indicative of the number of other HMOs in Coventry.

Further research has been undertaken in partnership with Warwick University considering student accommodation and proactively visiting areas in and around halls of residence and the university where HMOs are likely to be concentrated. This has revealed, particularly with respect to properties on offer to students, that accommodation is being offered in two storey houses to 4 or less people where facilities and fire precautions do not meet current standards.

### Case Study 1

Two three storey properties that have been converted into HMOs with commercial premises to the ground floor front half of each building. The occupancy had been reduced to four people in each to avoid mandatory licensing.



The property was the subject of numerous complaints since 2010. Numerous notices have been served but the poor management practices have continued. More recently a visit to the property revealed four tenants in occupation in this five bedroomed property. The fire protection is below the standard for a three storey HMO and there is a limited protected escape route through the building.

Several Category 1 and 2 hazards were identified and powers utilised requiring the owner to undertake certain works within a specified time period to reduce/remove the hazards.

The effect of Additional Licensing on this and similar properties will be to ensure that the sub-standard fire precautions and lack of management are improved to a minimum standard. The powers will also enable the Council to intervene with an Interim Management Order if the property is not successfully licensed.

### Case Study 2

Similar to the above this is a three storey property where occupancy has been reduced to avoid mandatory licensing. The property has been on the Council's radar since 2008 and has been the subject of numerous interventions including a prosecution for failing to comply with the management regulations. Despite this the landlord has consistently ignored the issues present at the property and kept it on the border of minimum requirements.





During a recent visit one of the tenants advised that the landlord told them to keep the number of people in the building to 4. The numbers are such to avoid mandatory licensing.

It was noted that window frames are in poor repair, rubbish collecting in the means of escape and issues with the handrail were present.

Additional licensing would ensure that the internal structure including fire doors would be improved.

### **Two storey HMOs with four occupants**

The following pics in this one are indicative of the smaller HMO's I am inspecting, I am encountering the same reoccurring issues namely:

- No notice displayed for tenants to contact in an emergency.
- Inadequate fire detection; in most cases the detection is unlinked or in some cases standard battery operated.
- Final exit doors and doors to lets require keys to unlock and egress.

Many landlords or agents are unaware that they are required to carry out an electrical installation condition report and as a result a lot of the reports obtained have been dated within seven days of the request, which is indicative of poor management and a disregard for these responsibilities. The photographs also show that these types of HMOs are also generally ill managed.





## 6. Enforcement of HMOs

The reason why landlords of HMOs have a tougher regime to deal with is because of all the problems that can arise in this type of accommodation. Although there are many well managed and trouble free HMOs, generally most are at the lower end of the scale. Tenants, especially those renting a room in a shared house, are often unable to afford anything more. Frequently they will be on housing benefit and because they are unrelated but living in close proximity, studies have shown that there are far more likely to be problems with HMOs.

The Council has always taken a positive approach in dealing with concerns about HMOs and concentrates on four main areas of enforcement:

- Unlicensed HMOs
- Non compliance of licence conditions
- Management
- Health and Safety

Under the Housing Act 2004 the Council is responsible for administering the mandatory licensing scheme described earlier in this report. Where the Council suspects there is an unlicensed HMO it has powers to inspect without providing any notice to the occupants or the owner. Once a property has been found to be operating without a licence the Council will instigate a formal investigation and decide, based on a range of risk factors, what course of action is appropriate.

In cases of poor management the Council has powers under the Management of Houses in Multiple Occupation (England) Regulations 2006. The general principle of the regulations is to protect the health, safety and welfare of occupants by requiring landlords and managers of HMOs to comply with certain duties.

Effective management procedures should take account of the characteristics of the residents, including age, vulnerability, disabilities or dependencies. It may be necessary to make special provision for individuals such as providing written information in large print or in another language.

Effective management also relies in part on residents being fully aware of their responsibilities. They should be made aware that they are either required by regulation or by the terms of the tenancy agreement not to act in a way that obstructs the manager, or causes nuisance or annoyance to neighbours, and also be made aware of the consequences if they do not comply with this.

HHSRS applies to HMOs as any other housing accommodation and the Council is required to keep property conditions 'under review'. The application of HHSRS in HMOs is a reactive approach as the Council relies upon residents and tenants to complain so that it is aware of issues.

In the case of licensed HMOs the Council is required to carry out a HHSRS inspection once every five years. This is very much reactive.

More recently with austerity resources have resulted in reactive services taking priority. Despite this the Council has carried out 912 proactive and reactive inspections to HMOs between July 2016 and July 2018.

During the same period the Council received some 1,229 (931 relating to disrepair and 298 Tenancy Relations). In response the Council issued some 65 notices excluding those requiring information to be provided and prosecuted 6 landlords for housing related offences.

The Council adopts a robust approach to taking enforcement and has a mechanism to resolve issues either through legal action, which may result in the landlord/licence holder or manager being prosecuted, or through further licensing controls such as revoking a licence and restricting their ability to run HMOs.

Where necessary and appropriate the Council will pursue formal action against landlords and agents.

These figures reflect the number of notices served as part of formal investigations into unlicensed and non-compliant HMOs and they do not include any notices served by the Council in relation or

other matter such as noise, ASB or waste issues. In the case of refuse the Council served 515 during 2016/17 and 432 notices during 2017/18.

The Council also adopts informal measures such as re-inspections, which carry a higher charge for licence renewals or require landlords to employ the services of a competent and professional agent. This is dependent upon a number of factors but in general terms consideration is given to the following:

- The gravity of the offence alleged;
- The complexity of what is in issue;
- The general record and approach of the person responsible;
- The severity of the consequences for the defendant and others affected; and
- Whether it is in the best interests of the public to deter others from similar failures.

In some cases the breaches found do not always warrant formal action so the Council will adopt an informal approach and provide the landlord with a warning or caution. If a landlord fails to heed these warnings about problems then the Council has applied enforcement and prosecuted where the problem is serious enough and it would be in the public interest to take such action.

## 7. Option Appraisal

As part of the Option Appraisal process the Council must consider;

- whether there are other courses of action available to them (of whatever nature) that might provide an effective method of dealing with the problem or problems in question;
- that making the designation will significantly assist them to achieve the objective; and
- that making the designation will significantly assist them to deal with the problem or problems.

Coventry City Council has for many years been committed to improving the standards and conditions of housing across all tenures. The Council has a strategic aim to improve housing for all and HMO types and dwelling/household characteristics of licensing assists in meeting this strategic aim.

This report provides an overview of the issues around HMO types and dwelling/household characteristics licensing and some of the areas of concern in relation to the conditions and management practices found all too often in the HMO stock in the city.

Alternative approaches to extending HMO licensing have been considered and are illustrated alongside the strengths of additional licensing in Table 2. Each is a valuable tool for dealing with the problems in the HMO stock. However in each case the weaknesses outweigh the strengths.

Table 3 outlines the risks involved with additional HMO licensing and the preventative measures, which could be used to alleviate those risks.

The options considered included eight possible interventions for tackling substandard and 'problematic' smaller HMOs in the City as set out below:

### 1. Do nothing

This option would involve the Council doing nothing to intervene in the small HMO sector this would leave the local housing market to be the driver for landlords carrying out improvements to their properties.

### 2. Do the minimum (reactive inspection programme only)

This option would mean that the Council intervention in the small HMO sector being limited to a basic complaint response service with action by other departments and agencies on a largely ad hoc basis. The option is reactive and relies on the housing market as a driver for landlord-initiated housing improvement across the board. All council services would continue to use their existing enforcement powers.

3. Informal area action (Proactive inspection programme) this would be delivered through non-statutory Action Area, considering parts of the city where there were concentration of poorly managed or maintained properties. The driver for the housing improvement would come from a combination of council activity from different services focussing work in the area and landlord activity (including peer pressure)

4. Voluntary Accreditation. Accreditation schemes have a set of standards (or code) relating to the management or physical condition of different HMOs and recognise properties/landlords who achieve/exceed the requirements. Southampton currently has an accreditation scheme for student housing (SASSH) operated by the universities. Any new scheme for other HMOs would run alongside.

5. Targeted use of Interim Management Orders (IMOs) and Final Management Orders (FMOs). The Housing Act 2004 gives local authorities powers to use Management Orders for talking comprehensive and serious management failures.

6. Article 4 Direction only. This option would rely on the use of this power to control the numbers of new HMOs and the market to drive property improvements.

7. City Wide Additional Licensing scheme. Licensing would be extended to all HMOs in the city (in all 18 wards) and would include all smaller multiply occupied properties not currently subjected to Mandatory HMO Licensing.

8. Area-based Additional licensing scheme. Licensing would be introduced in selected wards in the city where there is the highest concentration of HMOs and the evidence demonstrates that there is the greatest need.

In general the limitations to the alternatives to introducing additional licensing include:

- Most other schemes are expensive and would require funds being taken from the Council Tax. This seems unfair when many of the problems are due to poor management practices by landlords or agents operating in a buoyant market place. Additional licensing will be self-financing with the fee covering the cost of licensing; the fee will be paid by the applicants and not by the wider community.
- The use of IMOs on individual properties does not appear to give value for money, as the amount of resources being put into one property will mean that other properties cannot be tackled. It is clear from our experience that if this were to be the only sanction available then operating more than a few IMOs at a time would not be feasible given the lack of funding. This approach can also be seen to be heavy handed and can cause problems for the Council when attempting to work with and engage with landlords.
- None of the proposals give a long-term solution to the problems within the HMO sector, however the Council is looking at introducing a voluntary landlords accreditation scheme alongside licensing – this would help with landlord training and improving property management. In the event that the majority of the HMO stock is managed by letting agents this will only effect a small improvement.

- Other schemes will not give the Council detailed and accurate information concerning the HMO stock. This is essential in order to undertake meaningful prioritisation and work planning. Such information is not only used in the area of Regulatory Services but is also used and required by colleagues in other services.

## 8. Benefits of Additional Licensing

We know from experience that there will be a small, and probably vocal, minority of landlords who will never see the overall value of Additional Licensing of HMOs. They take an essentially narrow, self-interested view. Their interest is focused on financial returns; their criticism of any form of licensing is couched in terms of 'unnecessary financial burden' and 'pointless bureaucratic interference'.

On the other hand, the majority point-of-view takes a wider perspective on the provision of stock for the housing rental market. This group includes, most landlords and agents.

While the general public may not be directly involved in paying or receiving rent, they also experience the impact that HMOs have on the social and political economy of Coventry. The view that HMO Licensing is instrumental in the improvement of facilities, management and safety in the housing rental market is echoed by a broad cross-section of the city. Licensing is seen as one strand in preventing the long-term decline in the amenity of the urban environment.

They recognise that wider licensing removes the inequalities caused by partial regulation and spreads costs and obligations in a fairer way. They recognise that it creates a common footing and can help agents. Provided that it is properly run, they see it as helping the market function effectively.

### 8.1 Benefit: Consistent Approach to all Coventry HMOs

Additional Licensing will extend and continue the process of upgrading of HMO rental stock already begun by the Mandatory scheme. Additional Licensing will add a significant portion of the Coventry HMO market to the list of those houses where the Council currently is involved with licensing.

This will mean that such houses will be subject to the same evaluation and improvement regime as the larger houses already covered by the national scheme. Coventry has in the order of 4,400 HMOs occupied by five or less occupants. They deserve to be afforded the same protection as people in licensed HMOs. Without Additional Licensing there is significant and growing disparity in Coventry's HMO market.

The inclusion of all multi occupied houses as licensable HMOs will enable Coventry to develop a consistent approach to the whole of the HMO rental market. When there is a critical mass of houses subject to the same requirements other houses (whether licensable or not) will be obliged to comply with that standard by market pressures. A house presented for rent without offering those facilities is unlikely to attract desirable tenants.

### 8.2 Benefit: Appreciation of Property Values

Coventry has a buoyant housing market and this being the case it means that there will be a financial benefit to individual landlords in the longer term as accommodation standards are raised across the HMO sector. The benefit will be apparent in the capital appreciation of the property value. The heavy usage that multiple households inflict on the fabric of a building usually causes a far more rapid decline than does that of a single family. Where there are heavy concentrations of HMOs, as is the case in Coventry, it can lead to a general reduction in the amenity of whole suburbs and the relative loss of value of specific properties. A bespoke agreement between landlord and local



housing authority as a result of licensing ensures that standards are maintained and improvements encouraged. In turn, this means that neighbourhoods will not deteriorate and thus property values are enhanced.

### **8.3 Benefit: Links with Landlords**

The formation of a formal but direct and individual link with the Council, which the Licence Conditions affords, also allows for a beneficial flow of information between the authority and landlords. The owners of houses can receive news and ideas relevant to the development of the market sector. They can also provide accurate data on which Council can make informed decisions on issues which impact on both landlords and tenants.

The creation of a dynamic partnership between the landlord and council is an under-rated benefit of Licensing. There are other, ancillary benefits for landlords through Additional Licensing.

### **8.4 Benefit: A Recognised Group of Landlords**

Landlords, once subject to licensing, become part of a specific group recognised in law and by government policy. This has implications for their ability to organise themselves to influence HMO related decisions. Recognition as a licensed landlord will have several flow-on benefits.

It may have the benefit of providing for simpler justification to lending institutions when it comes to securing finance if the local housing authority requires specific work to be done.

Agents and letting organisations such as student housing departments are more likely to accept landlords if their *bona fides* is supported by being licensed. Licensing brings its own degree of reliability and assurance to the relationship between landlord and agent.

That benefit is reinforced by the fact that licensing requires landlords to keep their letting arrangements (either privately or through an Agent) on a more business-like footing. A licensed landlord is obliged to do things formally, like provide written terms of occupancy rather than *ad hoc* verbal arrangements that too often result in disputed interpretations of the agreement.

### **8.5 Benefit: Pro-active involvement eliminates reactive work**

Licensing also provides a consequential benefit in that it eliminates or mitigates many of the issues that generate tensions between landlords and tenants. Licensing is a means of pre-empting problems (for example, damp or ventilation issues leading to poor living conditions) before they become matters of contention and stress that the landlord would otherwise have to manage. Licensing will go a long way to ensure there are fewer hassles for a landlord from, for example, anxious parents of students who rent a house. It will at least, provide a recognised mechanism for resolving any disputes without the cumbersome mechanisms of prosecution.

The Council already deals with much of this work but in different capacities. The work is normally in response to a service request. Reacting to something after damage has been done is usually a negative and inefficient way of resolving an issue. Additional licensing will allow for positive, pro-active and efficient involvement, and should eliminate many problems before they occur.

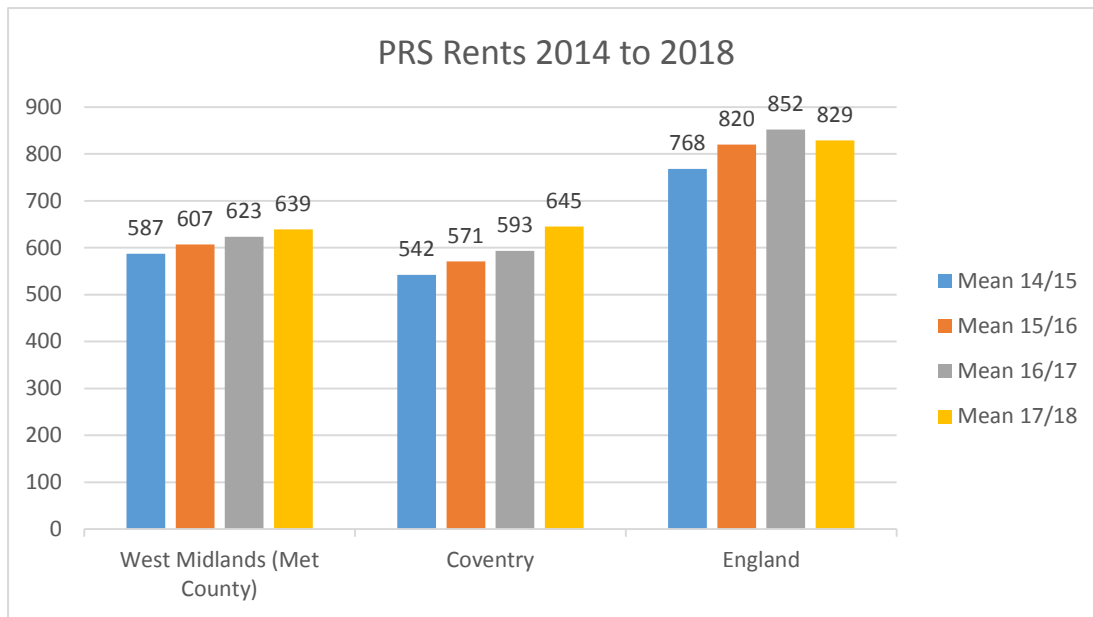
## **9. Impact of Licensing**

One of the biggest criticisms of licensing schemes is that the cost associated with the licensing fee will be passed onto tenants by an increase in rent. The Council has conducted some research into this area and made a comparison of rents from 2014- 2018 between areas in England that had

discretionary licensing schemes and those that did not, in order to establish if there was any evidence to show that discretionary licensing increases rent.

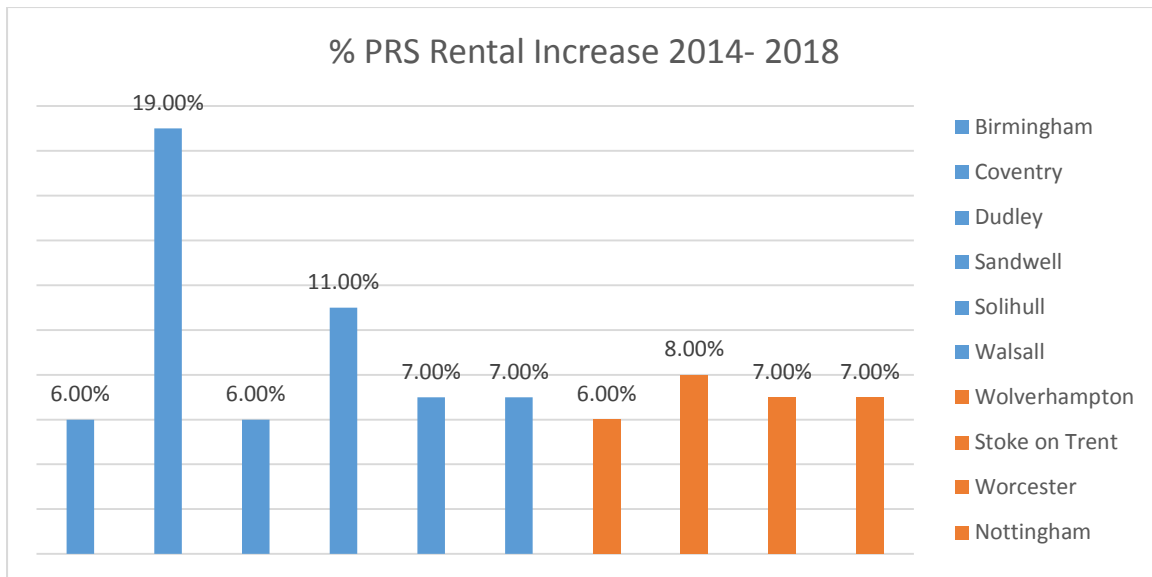
The research showed that rental values had increased in Coventry, on average by 19% between 2015 and 2018 compared to 11% in the West Midlands and 8% England over the same period<sup>1</sup>. (See Figure 22 below).

Figure 22- PRS rents between 2014 and 2018



The summary of overall rents was used to conduct the comparison of rents in areas with and without discretionary licensing schemes in other areas across the West Midlands region and England. The comparison can be seen in Figure 23 below.

Figure 23- Comparison of rents in areas with and without licensing



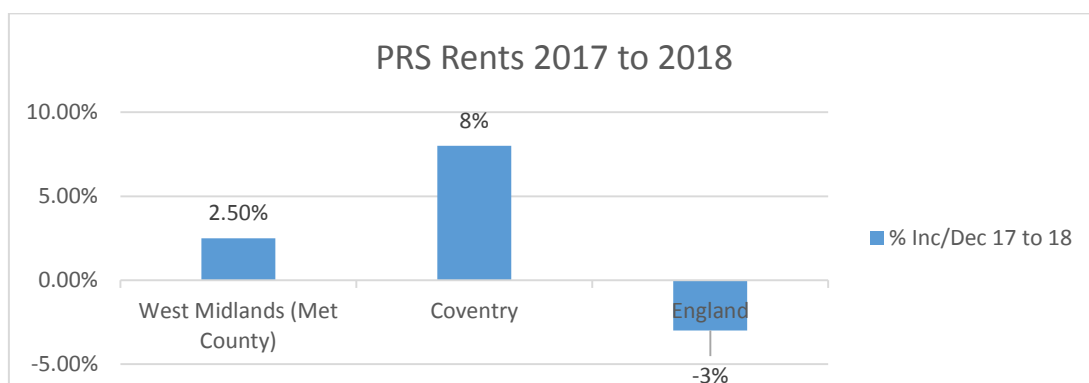
As can be seen from Figure 23 above rental increases have occurred across all authority areas, with the most significant in Coventry (19%) and Sandwell (11%). Both of these areas do not currently operate discretionary licensing schemes.

It is also notable that those areas with discretionary licensing schemes (Wolverhampton, Stoke on Trent, Worcester and Nottingham) experienced rent increases below the average levels in the West Midlands and, in a few instances (Wolverhampton, Worcester and Nottingham) below those reported across England during the same period.

The Office for National Statistics (ONS) recently reported that private rental prices paid by tenants in Great Britain rose by 0.9% in the 12 months to July 2018, down from 1.0% in the 12 months to June 2018.

Data available for the period from 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2018 shows that there has been an 8% increase in average rents in Coventry compared to 2.5% in the West Midlands and a 3% decrease across England. Figure 24 provides the breakdown for each category reported.

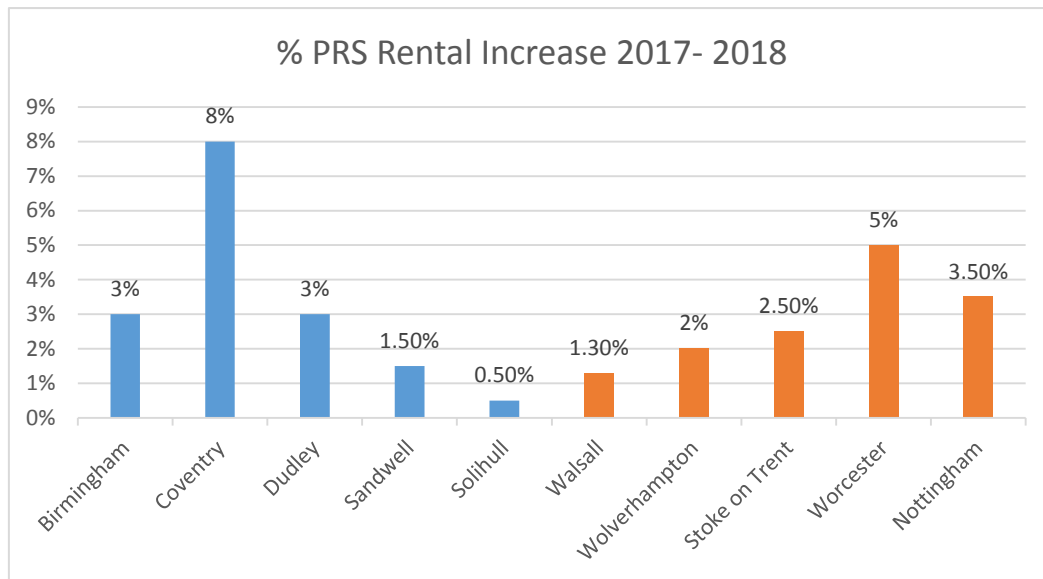
Figure 24- PRS rents during 2017 to 2018



Further analysis of data for this period shows that the average rent increases across the West Midlands were relatively consistent and well above the average for England. Coventry and Worcester experienced the highest increases with 8% and 5% respectively. Overall the greatest

increases occurred in areas which do not have discretionary licensing schemes in operation. Figure 25 provides the breakdown for each area.

Figure 25- % PRS rental increase during 2017-18



Despite the perception that licensing increase rents it is apparent that there is very little evidence to suggest that discretionary licensing schemes are directly responsible for rental increases. Where there has been an increase in rent it is more likely associated with supply and demand and not as a direct result of the introduction of discretionary licensing schemes. England has seen a fall in rental values over the past 12 month period, which is probably due to oversupply and low demand in areas where landlords have had to lower their rents to attract tenants.

This situation is likely to get worse as a result of other pressures, for example the Council of Mortgage Lenders (CML) reported that the plans introduced by the Government to remove the higher rate of tax relief on buy to let mortgage interest rate payments will force landlords to *'lift rents higher'* and pass the cost of the Government's actions onto tenants.

The CML also recently reported that activity in the buy-to-let market is set to drop further in the coming three years as a result of the recent tax crackdowns on buy-to-let regulations and these are expected to lead to a further 'professionalisation' in the sector, while some amateur landlords could see their properties become loss-making once the gradual withdrawal of mortgage tax relief is completed in 2020.

It is likely that rents in Coventry will continue to rise as a direct result of these market pressures and by a lack of housing supply generated by fewer buy-to-let properties but not as a direct result of the introduction of discretionary licensing schemes.

## 10. Conclusions

Additional Licensing is a viable solution for Coventry. This report states the reasoning and evidence collated by Coventry City Council required to proceed with a formal consultation on the proposal to declare Coventry as an area for additional licensing. The scheme will cover all HMOs, irrespective of the number of stories that are occupied by less than five unrelated persons and all s.257 HMOs (buildings converted into self-contained flats) where the building is wholly occupied by tenants.

The buoyant housing market in Coventry continues to do well with the numbers of HMOs rising year upon year. Landlords who have chosen to evade controls have operated without regulation for many years, which has resulted in HMOs often being let out in an unsafe manner.

The mixture of property types in the private rented sector in Coventry coupled with the dominant student market means that a high number of HMOs fall outside mandatory licensing. Such properties are next door to, across the street or around the corner from those that are licensable. Their occupants benefit from the controls on the quality and management of licensed properties. The others may come to notice from service requests (from tenants or, more often, from worried parents) but many unsatisfactory houses are never reported so standards are not enforced and the quality of the rental stock does not improve.

Coventry City Council has embraced mandatory HMO licensing which has proved to be a valuable tool in improving poor conditions and management practices in HMOs across the city. The extension of the mandatory scheme to cover more HMOs can only add to this improvement and this is the first step in ensuring that all HMOs will require a licence.

The preferred stance of the Council is that licensing should apply to *all* HMOs in the same way, for example that licensing applies to *all* taxis. The new powers therefore gave the Council the opportunity to make this a reality.

With the introduction of additional licensing controls applied to the whole of the HMO sector the Council will be able to take a reactive and proactive approach to dealing with the sector.

We want to continue to develop our links and working relationship with landlords and agents in the city, which have been greatly enhanced by mandatory licensing and we will continue to investigate other interventions, which could complement additional licensing.

Additional licensing is a long-term strategy and is one element of the toolkit in improving the HMO stock within the city.

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<sup>i</sup> <https://www.gov.uk/government/collections/private-rental-market-statistics> - Valuation Office Private Rental Market Statistics 2014 to 2018