
Business, Economy and Enterprise Scrutiny Board (3)
Cabinet Member for Business, Enterprise and Employment

27 January 2016
29 March 2016

Name of Cabinet Member:

Cabinet Member for Business, Enterprise and Employment - Councillor K Maton

Director Approving Submission of the report:

Executive Director of Place

Ward(s) affected:

St. Michael's Ward, excluding the city centre within the ring road

Title:

Recommendations from the Business, Economy and Enterprise Scrutiny Board (3) Task and Finish Group on Discretionary Licensing

Is this a key decision?

No

Executive Summary:

A task and finish group was created by the Business, Economy and Enterprise Scrutiny Board (3) at their meeting on 19 June 2014 to consider the practicalities and implications of introducing a licensing scheme for the private rented sector.

This report considers whether certain areas of the city meet the Government's required criteria for implementing such a scheme. This included the examination of data available on percentages of private rented properties, anti-social behaviour and levels of deprivation for all wards of the city.

Recommendations:

The Business, Economy and Enterprise Scrutiny Board (3) is recommended to:

- (1) Support the recommendations to the Cabinet Member
- (2) Receive a further report on progress against the recommendations in 12 months-time.

The Cabinet Member is recommended to:

- (1) Initiate the statutory process to implement a selective licensing scheme in St. Michael's Ward (minus the city centre) of the city.
- (2) Pending the consultation in recommendation 1), consider at the same time, the financial feasibility of implementing a selective licensing scheme in the St. Michael's Ward of the city.

- (3) Actively encourage landlords to join a landlord's accreditation scheme. Appropriate discounts on licences will be granted to those landlords who have houses in the proposed licensing area.
- (4) Bring any further decisions for the Cabinet Member on implementing a selective licensing scheme to the appropriate Scrutiny Board for comment before a decision is taken.

List of Appendices included:

Appendix 1: Report of the Business, Economy and Enterprise Scrutiny Board (3) Task and Finish Group on Discretionary Licensing.

Background papers

None

Other useful documents:

Coventry Housing & Homelessness Strategy 2013 - 2018.
Private Sector Stock Condition Survey 2013

Has it been or will it be considered by Scrutiny?

Yes – 27th January 2016

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

No

Report title:

Recommendations from the Business, Economy and Enterprise Scrutiny Board Task and Finish Group on Selective Licensing

1 Context (or background)

- 1.1 During the Municipal year 2013/14, Scrutiny Co-ordination Committee established a Task and Finish Group to look at the issue of Houses in Multiple Occupation. One of the outcomes of this review was that licensing for private rented sector housing be looked at in more detail and at their informal meeting on 19th June 2014, the Business, Economy and Enterprise Scrutiny Board (3) agreed to establish a Task and Finish Group to undertake this task. The task and finish group first met on 19th October 2014 and have met seven times.
- 1.2 Concerns were raised as part of the consultation process on some of the housing conditions experienced in the private rented sector and it was recognised that this wasn't limited to houses in multiple occupation or smaller shared housing, but to the private rented sector as a whole. This is supported by information from the Private Sector Stock Condition Survey, reported in 2013. The areas of the city that have the highest number of properties that are considered to be non-decent are St. Michael's. Lower Stoke, Foleshill and Whoberley. Both St. Michael's and Foleshill have the highest proportion of private rented property.
- 1.3 The Draft Coventry Private Sector Stock Condition Survey 2013 reported that Coventry has a higher proportion of non-decent homes (37%) than England (36%). However there are areas of the city that have a considerably higher proportion than the England average. 11 wards have higher than England with Foleshill (49%) and St. Michael's (47%).

2 Options considered and recommended proposal

- 2.1 Option 1 – Do Nothing
- 2.2 This option was not considered further as inaction would result in the status quo or even degeneration in areas of the city already experiencing poor housing conditions, anti-social behaviour and multiple-deprivation.
- 2.3 Option 2 – Request the Cabinet Member initiate the process to introduce selective licensing city wide.
- 2.4 This option was not considered further as Government guidance states that Local authorities will be required to obtain confirmation from the Secretary of State for any selective licensing scheme which would cover more than 20% of their geographical area or would affect more than 20% of privately rented homes in the local authority area. Also, although Coventry has certain areas of the city that meet the required criteria, this does not apply to the city as whole. Therefore it was not considered viable to suggest the whole of the city be considered for selective licensing.
- 2.5 Option 3 (Recommended proposal) - Initiate the process to implement selective licensing in a specific area of the city that meets Government criteria - St. Michael's Ward, excluding the city centre.
- 2.6 Members of the Business, Economy and Enterprise Scrutiny Board (3)'s task and finish group on Selective Licensing, looked at the criteria for implementing discretionary licensing schemes in detail and identified the area of the city that would most benefit from the implementation of a scheme and be likely to meet the criteria.

- 2.7 The task and finish group considered:
- The local context and background
 - Detail on different kinds of discretionary licensing
 - The desired outcome of implementing a licensing scheme to key stakeholders
 - Government guidance
 - The data in Coventry City Council
 - Financial analysis
 - Information from other areas
- 2.8 A detailed report on what the task and finish group covered can be found at Appendix 1.
- 2.9 After considering the options available the task and finish group decided to investigate further the option of selective licensing in a specific area of the city that meets Government criteria.
- 2.10 Selective licensing gives local authorities the powers to licence privately rented accommodation in a prescribed area where there is low housing demand, or a serious problem with antisocial behaviour and that the problem is compounded by landlords who are not properly managing their properties.
- 2.11 Guidance from the Department for Communities and Local Government**
- 2.12 From 1st April 2015, the Department for Communities and Local Government issued new guidance which amended the criteria for local authorities implementing licensing schemes. These new criteria require that for an area to be considered for licensing it must have a higher than the national average proportion of private rented homes (19%) occupied under assured tenancies or licences and one of the following:
- a) Poor property conditions
 - b) High levels of migration
 - c) High levels of deprivation
 - d) High levels of crime
 - e) Low housing demand
 - f) High levels of anti-social behaviour
- 2.13 Data**
- 2.14 Members of the task and finish group considered data available on numbers of private rented properties, levels of deprivation measured by the Index of Multiple Deprivation (IMD) and anti-social behaviour reported to the police, noise complaints and fly-tipping to identify whether any areas of the city met the above criteria.
- 2.15 It was agreed that, when considering the data on a ward level, that information for St. Michael's Ward would exclude data from the city centre, where possible. Whilst the reporting of ASB is a signifier in relation to evaluating whether an area should be included for selective licensing, figures relating to the city centre area of St Michael's (inside the ring road) were discounted as so many of the ASB incidents are unrelated to residential properties because there is relatively little accommodation within the City Centre. Therefore it was agreed that excluding the data from inside the city centre would make St. Michael's more comparable to other wards of the city.
- 2.16 From the data provided, Members were able to establish that out of all Wards, St. Michael's Ward has the highest proportion of private rented property, 52% of households in St. Michael's are privately rented. This is compared to the national average of 19%, as defined in the English Housing Condition Survey 2014.

- 2.17 Members used the Index of Multiple Deprivation to identify levels of deprivation. The 2015 index shows that Foreshill is the most deprived ward in the city, ranked 169 out of 7529 in England. St. Michael's is the 4th most deprived in the city, 517 in England, within the 7% most deprived in England.
- 2.18 Members also heard that St. Michael's Ward experiences high levels of anti-social behaviour incidents recorded by the police, fly-tipping and noise complaints.
- 2.19 From the data provided against the government criteria set (section 2.12), Members were able to identify that St. Michael's Ward, excluding the city centre, would benefit from and meet the Government criteria for implementation of a selective licensing scheme.
- 2.20 For more detail on the data available please see Section 7 in Appendix 1
- 2.21 **Financial analysis**
- 2.22 Any selective licensing scheme will need to be self-financing. Licensing revenue can be used for licensing activities only i.e. inspection and administration of the scheme – it does not cover enforcement.
- 2.23 There are additional costs of a scheme which include:
- Consultation and set up
 - Overhead and general administrative costs
 - Enforcement
 - Landlord support
- 2.24 Having identified St. Michael's Ward as a proposed area, finance officers were able to propose an appropriate selective licensing fee per property. This information has been based on the number of properties in the proposed area, the costs of processing an individual licence, the set up costs for a licensing scheme and total anticipated discounts.
- 2.25 Using information which can be found in Table A overleaf, the proposed cost of a selective licensing fee per property, allowing for discounts, would be £773.95.

Table A

Total Proposed Cost of Selective Licensing		
a	Total number of privately rented properties in St Michael's (excluding the City Centre)	3,196
b	Individual licensing process cost per property	£713.42
c	Total licensing process cost for all properties (b x a)	£2,280,080.73
d	Set up costs for Selective Licensing	£27,887.19
e	Set up Costs for Selective Licensing per property	£8.73
f	Total licensing cost (c + d)	£2,307,967.92
g	Selective licensing fee per property (before potential discounts)	£722.14
h	Total anticipated discounts granted	£165,569.92
i	Total licensing cost after paying discounts (f + h)	£2,473,537.84
	Selective licensing fee per property (allowing for discounts) (i / a)	£773.95

2.26 Certain homes are exempt from selective licensing and these are detailed in the Selective Licensing of Houses (Specified Exemptions) Order 2006. This information will be detailed in any consultation process undertaken. More information can be found at the link below.

https://www.landlords.org.uk/sites/default/files/librarypdfs/1/Licensing/Selective_Licensing_Exemption_Regulations.pdf

3 Results of consultation undertaken

- 3.1 This report is recommending that the Cabinet Member for Business, Enterprise and Employment, initiate the process to implement a selective licensing scheme, which includes a public consultation requirement with all key stakeholders. The responses to this consultation should be considered before a final decision to implement a licensing scheme is taken.
- 3.2 The Housing Act 2004 states that when considering designating an area the local housing authority must:
- take reasonable steps to consult persons who are likely to be affected by the designation, and,
 - consider any representations made in accordance with the consultation.
- 3.3 Guidance on implementing selective licensing has been issued by the Department for Communities and Local Government (DCLG). The guidance states that:

“The consultation should be informative, clear and to the point, so the proposal is readily understood. It should inform local residents, landlords, letting agents and businesses about the proposed designation, giving the reasons for proposing it, why alternative remedies are insufficient, demonstrating how it will tackle specific problems together with other specified measures, and describing the proposed outcome of the designation. It should also set out the proposed fee structure and level of fees the authority is minded to charge (if any). Consultees should be invited to give their views, and these should all be considered and responded to.

Once the consultation has been completed the results should then be published and made available to the local community. This should be in the

form of a summary of the responses received and should demonstrate how these have either been acted on or not, giving reasons.”¹.

4 Timetable for implementing this decision

- 4.1 If the Cabinet Member approves the recommendations the required statutory consultation process will begin.
- 4.2 Once the statutory consultation process has been completed a report, based on the feedback from the consultation, will go to the Cabinet Member, to make a decision whether to implement the proposed scheme.

5 Comments from Executive Director of Resources

Financial implications

The operation of a selective licensing scheme has to be cost neutral to the local authority so the license fee has been set at a level that will ensure this. However, this scheme only covers the cost of inspection.

- 5.1 Any additional enforcement required, as a result of the selective licensing scheme, will be performed within existing budgets, by the Planning and Housing Enforcement Team who are based within the Planning and Regulation Service.

5.2 Legal implications

The criteria and process for introducing a selective licensing scheme for the private rented sector is clearly detailed in the Housing Act 2004 and specific guidance. These will be adhered to, to reduce the risk of legal challenges from interested parties.

6 Other implications

- 6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

If a selective licensing scheme were to be introduced it would support the **Council Plan**, as part of the section on “Globally connected - Increasing the supply, choice and quality of housing”.

A scheme would also support the implementation of the **Housing and Homelessness Strategy 2013-18**, as part of Theme 3, the priority to improve property conditions and management standards in the private rented sector, and part of Theme 4, improve the quality of our neighbourhoods to support safe, inclusive and cohesive communities.

The implementation of a selective licensing scheme in parts of St. Michael’s Ward, which in one of the areas that experiences some of the worst health inequalities in the city, would support the Council’s role as a Marmot City. In the report Making a Difference in Tough Times the section on Creating and Developing Healthy and Sustainable Places and Communities explains that:

“The health and wellbeing of individuals is influenced by the communities in which they live. People’s health is affected by the nature of their physical

¹ Selective licensing in the private rented sector A Guide for local authorities (March 2015, Department for Communities and Local Government)

environment; living in poor housing, in a deprived neighbourhood with a lack of access to green spaces impacts negatively on physical and mental health.”

6.2 How is risk being managed?

Increased rents: There is risk that selective licensing could lead to increased rents for tenants as landlords seek to pass on the cost of the licensing fee. In reality, rents are subject to market forces and landlords will charge the market rate. In practice if the licence fee was passed on to tenants it would amount to less than £3 per week. This needs to be set against the potential improvements in the housing conditions that could be attained through selective licensing and the improvement to residential amenity to surrounding occupiers.

Potential of judicial review from landlord associations. There is a risk that any proposed selective licensing scheme could be challenged if there is insufficient evidence to justify the need for such a scheme, or the Council has failed to follow the correct legislative procedures in a schemes introduction. In defence of any challenge, in the document attached to this report, the Council has produced evidence which it believes is sufficient to demonstrate that such a scheme is justified. If the Council decides to proceed with selective licensing the process will be project managed to ensure that the legislative process is followed to minimise the risk of challenge.

6.3 What is the impact on the organisation?

The proposed selective licensing fee has been set at a level to generate income which is sufficient to recruit, equip and accommodate a team of suitably qualified officers, who will set up and administer the selective licensing scheme. This paragraph should be read in conjunction with paragraph 5.1 and 5.2.

The implementation of the scheme will improve accommodation within the ward and the lives of residents in both the properties and surrounding properties. This should therefore reduce the number of complaints received into the authority, as the issues are dealt with proactively rather than reactively.

6.4 Equalities / EIA

The Council has a role in ensuring a good mix of housing in the city to meet the needs of different communities. It should be noted by the Cabinet Members that the areas of the city with highest numbers of private rented sector housing also have a higher proportion of BME residents than the city as a whole. Also, a higher proportion of people from BME communities live in private rented housing compared to people of White British ethnicity.

This is not a causal relationship but the impact of any policy that affects these areas should be assessed for the impact on this protected group.

6.5 Implications for (or impact on) the environment

Improvement in housing conditions will have a positive effect on the environment as properties will become more energy efficient and reduce fuel consumption, as well as reduce fuel poverty.

There are clear research findings that show that the local environmental quality in a persons living environment has a significant impact on their health and well-being. Residents in areas which have a low environmental quality often have an increased fear of crime.

6.6 Implications for partner organisations?

None.

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