

## Options Appraisal Document

The Additional Licensing scheme in the city, which commenced on the 4<sup>th</sup> May 2020 runs for a period of 5 years and therefore ceases on the 4<sup>th</sup> May 2025. This creates a situation where the future options for the scheme beyond the expiration need to be considered.

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

Under s.60 (3) of the Housing Act 2004 '*a local housing authority must from time to time review the operation of any designation made by them*'

To fulfil this requirement a review, which included a consultation exercise was undertaken between July and October 2023. The review showed that the licensing scheme has made good progress in improving standards in a large number of HMOs. However, there are still a significant number of properties that remain unlicensed and ineffectively managed.

As part of the review a number of options have been considered in relation to the HMO licensing scheme, these options were to renew the scheme in its entirety, renew the scheme in parts of the city or not renew the scheme. The best option from the appraisal was to renew the scheme in its entirety.

The main reasons for supporting the option of renewal of the scheme in its entirety are as follows:

HMOs are a major concern in Coventry. It is estimated that Coventry has the 14<sup>th</sup> highest number of HMOs in England and Wales. Only the large metropolitan and unitary authorities and some London Boroughs contain more. They form a high percentage of houses in the city which is attributed to high numbers of students attending both Coventry and Warwick University.

High house prices create a situation that puts the home ownership market beyond a large number of residents and places a burden on the private rented sector. Sharing accommodation is the only viable option for a large proportion of young and low-income households. Licensing ensures that the Council has a comprehensive toolkit to deal with poor conditions and issues around anti-social behaviour in all HMOs, thereby improving the living conditions for those residents in occupation and those who are affected by HMOs in the neighbourhood.

Planning policy has been developed by the Council to create 'mixed and balanced communities', which looks to limit the levels of HMOs in the sector so that there is a spread of sustainable and viable options for accommodation but despite all this the Council still have massive numbers of HMOs in the PRS.

The problems associated with living in a HMO have been well documented over the years and are known to professionals working in the sector. The recent review of the current Additional HMO Licensing scheme also indicates that a significant proportion of HMOs in the Council's area are still being managed ineffectively, with over 75,000

conditions being added to licences requiring the licence holder to carry out works to bring properties up to the appropriate standard and to manage them effectively.

The current spread of HMOs is not concentrated in one particular area and the issues regarding this type of accommodation are widespread. Partial licensing of HMOs would likely result in an increase of HMOs in areas which were not subject to licensing or covered by the Council's Article 4 direction and leave the Council with limited options for regulating these properties.

In order for the Council to 'renew' the scheme it 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 2010.

Section 56 of the Act places requirements upon the local housing authority 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; and
- 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;
- 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 Department for Communities and Local Government (DCLG) General Approval provides the condition that any consultation period for the proposed designation should not be less than 10 weeks.

In February 2010 the DCLG produced general guidance around the approval steps for additional and selective licensing designations in England.

The Additional Licensing review indicated that properties are still 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.

### **Option Appraisal**

The option appraisal process carried out for the review of the scheme followed a series of logical steps, which when taken together, provided a thorough and systematic appraisal method to allow effective comparison of alternative options.

Although this process appears as a sequence of small steps following a linear pattern, in practice it is best viewed as a series of small cycles. The main steps followed are summarised below: -

Decide on the aim of the scheme, i.e. the desired outcome and the objectives necessary to achieve this:

- Data gathering and analysis of findings;
- Generate a range of basic options;
- Appraise the options against criteria; and
- Select a preferred option and carry out statutory consultation about the selected option.

The Option Appraisal process was managed by an internal steering group comprising senior staff from across the Council.

## **Deciding the aim of the Scheme**

The overall purpose of the licensing scheme is to maintain minimum standards across the city in the most vulnerable sector of Coventry's private rental market by providing safer and healthier rented accommodation that is well managed with reduced overcrowding.

This is also a major contributing factor to the Council's Housing & Homelessness Strategy 2019-2024 which affirms the Council's view that housing is fundamental to the wellbeing of people, their families and their communities. Decent housing provides a stable base on which people can build their lives and build successful communities. Poor or unsuitable housing, however, can have negative impacts on many other areas of personal and community life as well as physical and mental health and wellbeing. If you do not have decent housing, everything else becomes much more difficult. Improving housing options, conditions and neighbourhoods within the city via delivery of this strategy is essential for economic growth, improving outcomes for children including their educational attainment, health and wellbeing, and community cohesion.

The main aim for the review and future of the scheme was therefore set around the purpose of the scheme and the Council's corporate priority of improving the use of existing homes. It was acknowledged by the officer steering group that the fundamental approach must be to enshrine the need to improve conditions and management of HMOs whilst maintaining minimum standards.

## **Objectives**

Objectives that would have to be realised to achieve this aim were therefore defined and included the need to:

- Maintain minimum standards of HMOs in the city;
- Raise the standard of HMOs in the city
- Improve management of HMOs in the city;
- Reduce the impact HMOs have on the surrounding area;
- Contribute to the creation of a viable and sustainable housing market;
- Promote long term confidence in the city;
- Support the existing community, in particular young and low income households; and
- Promote an improvement of conditions in the Private Rented Sector in the city.

## **Option Generation**

Following a detailed assessment of the data, which is provided in the review report, the next stage was to consider the generation of options which would seek to meet the stated aims and objectives and would deliver positive and lasting change.

The officer steering group developed and confirmed a range of options that could be applied to the City, each of them involving different levels of intervention and accordingly producing a different range of outcomes. These options ranged across the spectrum from statutory action only to complete renewal of the scheme. The officer steering group recognised that to be effective the review should consider all possible options.

The following options were considered:

**Option 1 – Statutory action only.** This is essentially the ‘base line’ position against which other options can be measured. It assumes that HMOs across the city will receive only minimum attention other than the action the Council is required by law to take to deal with poor conditions. i.e. mandatory licensing etc. Action would be by way of legal notices and orders. At some stage prosecutions would also have to take place. It is likely that this would do little to address environmental and management issues and this would most likely lead to a continuing spiral of decline with a growing need for intervention in future years. The aim and stated objectives would not be achieved.

**Option 2 – Renewal of the scheme in certain areas of the city.** This option assumes that the existing scheme is ‘renewed’ as necessary but only in certain areas of the city. The process of determination of these areas would be required but in essence this would create a situation where not all HMOs across the city are regulated consistently. In some parts of the city there are less HMOs but non compliance is found in all areas. Intervention to deal with these excluded areas would therefore be reduced if they were excluded from the scheme and this could result in an increase of HMOs in the excluded parts of the city and therefore less power available to the Council to deal with concerns and issues. This approach does not address the need for a comprehensive scheme and as an option it does little to meet the wider aspirations of the residents of the area or the aims and objectives of the scheme.

**Option 3 – Renewal of the scheme in its entirety.** This option assumes that the existing scheme will be ‘renewed’ in its entirety. The underlying basis of the option is that the Council will actively promote the Additional Licensing scheme and continue to implement the scheme under current conditions. Further reviews of the fees and charges structure would take place and options for extended licence periods would also be considered. i.e. 5 year licences for ‘gold’ standard landlords. This option would provide a level playing field for all HMOs and would ensure that the aims and objectives of the scheme were met.

### **Option Appraisal**

A series of decision rules, against which each of the options were to be appraised, were also set. Typically the final preferred option for the future of the scheme must:

- Be technically feasible
- Be in accordance with relevant statutory powers

- Contribute toward strategic objectives
- Be appropriate to the needs of the community
- Be financially deliverable

Each of these options were assessed against the decision rules and the objectives set (based on scoring on un-weighted and weighted criteria).

It is important that assessments are made of the options for the contribution they make in meeting the objectives for the Scheme and addressing the decision rules set. The decision rules included a financial element but it is vital that any decisions affecting the area are not based on cost alone. The final option would then be open to statutory consultation.

Officers agreed the decision rules, assessments and scoring criteria. The steering group set out the weightings and carried out the assessments against the criteria. The results of each assessment can be found below.

**Table 1 - Assessment of Options Against Decision Rules**

Decision Rule		Options		
		1	2	3
1	Be technically feasible	3	3	3
2	Be in accordance with relevant statutory powers	3	3	3
3	Contribute towards the strategic objectives	0	1	3
4	Be appropriate to the needs of the community	1	2	2
5	Financially deliverable	1	3	3
<b>Best fit against decision rules</b>		<b>8</b>	<b>12</b>	<b>14</b>

Scoring (How option conforms to the decision rules)
0 = Breaks Rule
1 = Meets rule in some respects
2 = Meets rule in most respects
3 = Meets rule in all respects

The results of the decision rule assessment show that Option 2 and 3 are more favourable than Option 1. Option 1 is technically feasible and could be implemented in accordance with the relevant statutory powers but it does very little to contribute toward any of the other decision rules and would make very little contribution to the aims and objectives of the Scheme.

Option 2 scored slightly lower than Option 3 (12 compared to 14) because it was felt by the steering group that by licensing certain parts of the city the non-licensed parts would suffer with an increase in HMOs and this would impact of those neighbourhoods a lot more than if the whole area was subject to licensing. The Council would also have very limited powers to deal with any issues in HMOs which were outside of the licensing scheme and so this would impact on the local community and would do very little to create a sustainable and viable housing market.

Option 3 meets all of the rules in all respects with the exception of 'appropriate to the needs of the community'. This rule scored slightly lower because it was felt by the steering group that a number of landlords who were part of the community may not agree that a scheme of licensing was appropriate to their needs.

Overall Option 3 (*Renew the scheme in its entirety*) scores higher than any other option and meets all the rules in most respects and is the preferred course of action for the future of the Scheme.

An assessment against the objectives set for the review of the scheme was carried out to determine which option made the most contribution toward the objectives. The results of this can be seen in the table below.

**Table 2 - Assessment Against Objectives (Unweighted)**

No.	Objective Criteria	1	2	3
1	Maintain minimum standards in HMOs in the city	4	4	4
2	Raise the standard of HMOs in the city	2	3	5
3	Improve management of HMOs in the city	1	3	4
4	Reduce the impact HMOs have on the surrounding area	1	2	5
5	Contribute to the creation of a viable and sustainable housing market	0	3	4
6	Promote long term confidence in the city	0	3	4
7	Support existing communities, in particular young and low income households	1	4	4
8	Promote an improvement of conditions in the PRS in the city	2	3	4

<b>Totals</b>		<b>11</b>	<b>25</b>	<b>34</b>
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The scores were recorded according to the following criteria:

<b>Scoring (Contribution objective makes in meeting the vision)</b>
0 = no contribution
1 = very little contribution
2 = limited contribution
3 = reasonable contribution
4 = significant contribution
5 = very significant contribution

The un-weighted assessment shows that Option 1 would have little or no effect in meeting the objectives of the scheme. Options 2 and 3 make more significant impact and would be the preferable over Option 1.

Option 2 scores significantly well against a number of the objectives but because of the piecemeal approach it promotes and the inability for the Council to deal with HMOs outside of the areas of the city that would be subject to licensing overall it scores less than Option 3. Option 3 is considered to be the better option for dealing with the whole range of objectives because it means that the Council is able to have a widespread and consistent impact in all areas across the whole range of objectives.

In order to test these options further a weighted assessment using the weighting factors agreed by officers was carried out. The weighting was selected to reflect the contribution each of the objectives makes to the overall aim of the Scheme. This provides a balanced assessment of all elements of the option appraisal. The results of this weighted assessment are shown in the table below.

The weighting was chosen to reflect the contribution each of the objectives makes to the aim of the scheme, which is to '*alleviate the housing situation by setting and maintaining minimum standards across the city in the most vulnerable sector of Coventry's private rental market*' using the following criteria:

<b>Weighting</b>
1 = Meets aim to some degree
2 = Meets aim to a large degree



3 = Meets aim to a greater degree or in full

**Table 3 - Assessment Against Objectives (Weighted)**

N o	Objective Criteria	Weighting Factor	1	2	3
1	Maintain minimum standards in all HMOs	3	12	12	12
2	Achieve an improvement in conditions in all HMOs	2	4	6	10
3	Improve management of all HMOs	3	3	9	12
4	Reduce the impact HMOs have on the surrounding area	2	2	4	10
5	Contribute to the creation of a viable and sustainable housing market	2	0	6	8
6	Promote long term confidence in the area	1	0	3	4
7	Support existing communities, in particular young and low income households	3	3	12	12
8	Promote an improvement of conditions in the PRS	1	2	3	4
	Totals		<b>26</b>	<b>55</b>	<b>72</b>

The results of the weighted assessment support the findings of the decision rule assessment and the un-weighted objective assessment which is that Option 3 is the preferred course of action and will provide the ‘best fit’ for achieving the aim and objectives of the scheme.

The local authority officers agreed the decision rules, assessments and scoring criteria. The steering group set out the weightings and carried out the assessments against the criteria. Each option was assessed on an individual basis. The assessment summaries are set out below.

**Table 4 - Summary of Option Appraisal Assessments**

Assessment Method		Option 1		Option 2		Option 3	
		Rank	Score	Rank	Score	Rank	Score
1	Decision Rule Assessment	3 <sup>rd</sup>	8	2 <sup>nd</sup>	12	1 <sup>st</sup>	14
2	Objectives Assessment (un-weighted)	3 <sup>rd</sup>	11	2 <sup>nd</sup>	25	1 <sup>st</sup>	34
3	Objectives Assessment (weighted)	3 <sup>rd</sup>	26	2 <sup>nd</sup>	55	1 <sup>st</sup>	72

The table demonstrates that the most effective option is Option 3, and the least effective is option 1. The advantage of option 3 over option 2 increases significantly when considering the aims and objectives together.

On balance it is considered that **Option 3 better demonstrates that it meets the range of appraisal criteria and should be adopted within the preferred strategy.** It ranks 1<sup>st</sup> in all of the assessments and will best meet the aim and objectives for HMOs in the City.

### **Implementation**

The next stages for implementing the proposal of Option 3 must follow the legal process set out in the Housing Act 2004 and be in accordance with guidance

produced by Government. The Council also has internal procedures that must be adhered to ensure that the implementation of Option 3 is fully considered.

The Council will therefore be providing a summary of this report to the Cabinet Member for Housing and Communities in February 2024 setting out the key findings and recommendations for the renewal of the scheme.

The recommendations will include a proposal to commence a new designation on the 4<sup>th</sup> May 2025 for a period of 5 years. This would align with the end of the current scheme.

If approved the Council will proceed with the statutory consultation for a new designation for a period of 12 weeks and submit a future report to Cabinet Member for Housing and Communities setting out the results of the consultation and the structure of the new designation.