

WIRRAL COUNCIL

CABINET

6TH NOVEMBER 2014

SUBJECT:	APPROVAL OF BUSINESS CASE AND CONSULTATION APPROACH FOR THE PROPOSED INTRODUCTION OF SELECTIVE LICENSING
WARD/S AFFECTED:	CLAUGHTON, BIRKENHEAD & TRANMERE, OXTON, PRENTON SEACOMBE, LISCARD
REPORT OF:	KEVIN ADDERLEY
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR GEORGE DAVIES
KEY DECISION? <i>(Defined in paragraph 13.3 of Article 13 'Decision Making' in the Council's Constitution.)</i>	YES

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to seek Cabinet approval for the commencement of a ten week consultation on the proposal to implement a Selective Licensing scheme for private landlords in four designated area in the Borough known as :-

- Area 1 - Birkenhead South
- Area 2 - Egerton North
- Area 3 - Seacombe Library
- Area 4 - Egremont Promenade South

See Business Case Appendix 2 for Maps and Address lists attached to this report.

1.2 The consultation will be based on the rationale and evidence detailed within the Draft Business Case for consultation and associated appendices all of which are attached to this report. A full Consultation Plan has been set out in Business Case Appendix 3 to this report and details the consultation methods and activity which is planned to be undertaken with a range of stakeholders including but not exclusively tenants, residents, businesses, landlord organisations, specifically those living or operating within the proposed Selective Licensing areas.

2.0 BACKGROUND AND KEY ISSUES

2.1 The 2011 Census reported that 67.5% of households are owner occupiers, 15.2% rent from a social landlord and 15.8% (22,275) rent from a private landlord. In common with other parts of England there has been a dramatic rise in the number of private rented dwellings in the borough. This has significantly increased by nearly 80% since 2001 when it was 8.8%.

- 2.2 The private rented sector in Wirral is mainly terraced houses at 42.8%, compared to 24.8% in Wirral's housing sector as a whole. Semi-detached houses make up the second biggest house type in the private rented sector at 24.7% (41.0% for all tenures), followed by purpose-built flats at 15.4% (11.8% for all tenures), converted and mixed-use flats at 14.3% (4.3% for all tenures) and detached houses at 2.7% (16.7% for all tenures).
- 2.3 Despite Wirral committing significant resources to tackle poor housing in the private rented sector the main findings from the Wirral 2013 Private Sector Stock Condition Survey identified that:
- 32.0% of private rented homes did not meet the Decent Homes Standard, compared to 20.6% of owner occupied homes.
 - Over 40% of private rented dwellings were built before 1919, compared to 19% in the owner occupied sector;
 - 40% of private rented dwellings are occupied by a head of household aged between 25 and 34;
 - Just under 60% of private rented tenants had been resident in the property for under two years;
 - 66% of private rented tenants were in full-time work and 12.3% were registered unemployed, in comparison to the owner occupied sector where the figures were 56% and 1% respectively;
 - Rates of Category 1 Hazard failure under the Housing Health & Safety Rating System were significantly higher within the private rented sector at 19.9% of homes compared to 7.5% within the owner occupied sector.
- 2.4 Poorly managed rented properties are frequently associated with areas suffering from low demand due to high levels and/or long term empty properties. environmental blight, criminal damage (Anti-Social behaviour), poor repair and high levels of housing benefit claimants. Many of the areas which suffer from these indicators require regular intervention from Council services and partner agencies and suffer from low levels of activity in the housing market, particularly in the private rented sector.
- 2.5 The Council has in its Housing Strategy 2011-2026 been clear that it needs to focus on responding to changes in the long term population of Wirral, to make better use of existing stock and to improve the quality of housing, providing a greater choice. The core theme running through each of these is the need to ensure Wirral responds to the different needs and aspirations of individuals and communities, enabling Wirral residents to thrive and achieve their full potential by working to narrow the inequalities gap.
- 2.6 Wirral's Strategy further sets out that the private rented sector has many advantages such as flexibility and ease of access, however it often contains many vulnerable households, has the least security of tenure, has twice as many people living in the private rented sector living in hazardous homes than the owner occupied sector and a third of all private rented homes are non decent. By 2026 Wirral wants to see a healthy private rented sector with good quality properties and management standards. Pressure on the availability of social rented homes means that supporting people to consider all available housing is essential and a good quality private rented housing offer is fundamental in meeting this.

2.7 The Council has in meeting its Housing Strategy aspirations utilised a range of interventions including both discretionary and statutory powers to deal with poor housing standards and management to protect private tenants and improve areas suffering from low demand. However with the rapid growth in the sector since 2001 and following changes over recent years Council enforcement activity generally has been driven by tenant or partner agency complaints to tackle poor landlords. This coupled with the fact that many tenants of poor landlords feel vulnerable to eviction, 837 of private rented tenants registered on Wirral's Housing Register said they were living in disrepair, but only 185 had complained to the Council, has steered the Council to consider the introduction of selective licensing in the worst areas suffering from low demand to ensure those neighbourhoods don't decline further.

3.0 WHAT IS SELECTIVE LICENSING?

The Housing Act 2004 provides local authorities with a range of tools with a view to encouraging private sector landlords to improve management, amenity and safety standards of their properties and to tackle anti-social behaviour, which in turn will help to improve living standards and improve areas of low demand. Part 3 Section 80 contains provisions for local authorities to license the private rented sector in some circumstances. Selective Licensing is one form of licensing that can be used. The criteria for introducing selective licensing schemes are:-

1. That the area is, or is likely to become, an area of low housing demand and that making the designation will, when combined with other measures taken in the area by the local authority, contribute to the improvement of the social and economic conditions in the area; and/or
2. That the area is experiencing a significant and persistent problem with anti-social behaviour and some or all of the private landlords with properties in the area are failing to take appropriate action to combat the problem and that making the designation will, when combined with other measures taken by the local authority, lead to a reduction in or elimination of the problem.

3.1 A designation can be in force for a maximum of 5 years and in making the designation, all private rented properties within the designated boundary area will require a licence to be able to let their property.

3.2 Owners of rented properties will be required to make an application to the Council for a licence and will need to nominate either the manager or the owner to be the licence holder. Wirral Council will assess applications and will determine the proposed licence holder as a 'fit and proper' person in terms of their suitability to manage their properties before issuing a licence.

3.3 Landlords will require a licence for any properties they rent out within the designated area and it will contain a series of conditions that the licence holder will be required to comply with. These conditions will include items relating to the management of the property, fire safety and anti-social behaviour. There will also be a requirement that landlords provide references for tenants that move on from their properties. The draft Selective Licensing Conditions are detailed in the Business Case Appendix 4 attached to this report.

3.0 EVIDENCE BASE AND SELECTION OF PROPOSED DESIGNATED AREAS

3.1 Earlier this year, Wirral Council's Performance and Public Health Intelligence Team were commissioned to undertake research into a wide range of evidence from a variety of data sources to help identify areas suffering from low demand where the Council could make a significant impact in specific neighbourhoods through the introduction of a scheme. The evaluation involved an analysis of 20 individual data sets from a variety of sources including the number of long term empty properties, low sales values and sales rates, high numbers of private rented properties, high turnover of private rented properties and longer than average times that privately rented properties took to be re-let as well of other data that reflects areas suffering from low-demand. Each of the indicators were scored between one and three points depending on their specific relevance to low demand as this is one of the main issues for which Local Authorities can apply for Selective Licensing. Consequently, all of the indicator measures used to indicate low demand were scored the highest. Table 1 below shows the score and points awarded.

Table 1.1: Matrix points awarded per indicator

1 point	2 points	3 points
<ul style="list-style-type: none"> • Deprivation (overall and living) • Out of work benefits • Educational attainment • Injuries (sustained in the home) • Mosaic Public Sector • Low demand (social rented sector) 	<ul style="list-style-type: none"> • Criminal Damage (Anti-Social Behaviour) • Properties in poor repair • Housing benefit paid to private landlords • Social Capital 	<p>Low demand (private sector only) made up of:</p> <ul style="list-style-type: none"> • House sales • House prices • Long term empty properties • Length of time empty properties are left empty • Turnover of private rented properties • % of private rented properties

3.2 All of the LSOAs in Wirral were ranked based on these indicators and the worst performing 10 LSOAs were entered onto a master matrix document. This represented the worst 5% of LSOA in terms of the low demand criteria that was evaluated. The worst 5% of LSOAs was chosen to co-incide with other Council interventions (e.g. Health Action Area initiative) that operate in the most deprived LSOAs.

3.3 The evidence highlighted four LSOAs that scored significantly worse than the other 5% LSOAs. The LSOA shown as scoring highest for low demand was Birkenhead South. Below this, three LSOA scored very closely on the Matrix for low demand. These were Seacombe Library, Egerton North and Egremont Promenade South. There was a clear drop in scores with the next lowest LSOA after this, showing delineation between the worst 4 LSOA and the rest of the LSOAs on the matrix. This supported the proposal to declare four small selective licensing areas in each of the LSOAs described above. The

full supporting evidence and rationale is contained in the Business Case Appendix 1 attached to this report.

- 3.4 The Introduction of a Selective Licensing Scheme in specific, targeted areas of low demand would help to stabilise these neighbourhoods by declaring an intention to drive up property management practice and property standards in the private rented sector as well as aligning other interventions including targeted activity to help bring empty properties back into use, Healthy Homes and energy efficiency interventions. In addition, the use of Selective Licensing would help solve other neighbourhood issues that are contributing to low demand within a neighbourhood through a multi-agency approach with wider public, community and voluntary sector stakeholders and residents within an area.

4.0 BUSINESS CASE AND CONSULTATION PLAN

- 4.1 The Department for Communities and Local Government (DCLG) has a procedural document on the subject of selective licensing: *Approval steps for additional and selective licensing designations in England*. Within this document the DCLG has set out what Local authorities must do in order for them to confirm the designation is appropriate.

- 4.2 In seeking approval from DCLG it is best practice for local authorities to prepare a business case setting out the reason for the designation of an area. Wirral has prepared a full Business Case and is using this as the basis of the consultation process with key stakeholders. The business case sets out the following key information:-

- The evidence base justifying the selection of the proposed areas– as summarised in section 2 and 3 of this report.
- Explanation of how such a designation will be part of the overall strategic borough wide approach and how it fits with existing policies on homelessness, empty properties, anti-social behaviour
- The possible affects of making a designation and the inclusion of any risk assessment that may have been carried out.
- How the areas will benefit from the designation of a selective licensing area;
- The current position with regards to activity and programmes, demonstrating how the area would benefit from the combination of existing policies and selective licensing;
- The operation of the scheme including the conditions for licensing.

- 4.3 For Selective Licensing, the Housing Act 2004 states that before considering making a designation for Selective Licensing the local housing authority must:

- a) Take reasonable steps to consult persons who are likely to be affected by the designation; and
- b) Consider any representations made in accordance with the consultation and not withdrawn.

- 4.4 The Council has set out a Consultation Plan (Business Case Appendix 3 to this report) detailing a full consultation programme to be undertaken in considering the designation of selective licensing. Consultation will be undertaken with local residents, including tenants, landlords and where appropriate their managing agents

and other members of the community who live or operate businesses or provide services within the proposed designation. It will also include local residents and those who operate businesses or provide services in the surrounding area outside the proposed designation that could be affected or who consider they live within the same locality of a proposed scheme. The Business Case will be used as the main document for the consultation process and this will be available on the Councils website or a paper copy will be provided if required. It is proposed however that an Executive Summary will be produced and will be distributed to all those people affected by the proposed designation.

- 4.5 The consultation period required by DCLG is ten weeks. This is the period adopted for the consultation on the proposed Scheme and will commence subject to Cabinet approval in November 2014. The Neighbourhood Engagement Team will be managing the consultation programme in conjunction with support from the Housing Strategy, Standards and Renewal Team.
- 4.6 At the end of the consultation period Cabinet will be provided with further report summarising the outcome of the consultation exercise. Cabinet will then also take a decision on whether to approve the implementation of a Selective Licensing scheme in the four proposed areas resulting in a requirement for all private landlords to obtain licenses for the properties that they are letting in the designated areas.

4.0 RELEVANT RISKS

- 4.1 The introduction of a Selective Licensing scheme is likely to be met with opposition from landlords and it is important to engage with them through meaningful consultation as part of the process. This along with other risks associated with the introduction of such a scheme have been identified in Business Case Appendix 5 attached to this report. The risk assessment identifies the controls which will be put in place to mitigate these factors. When the consultation has been completed and all stakeholders views have been collated the risk assessment will be reviewed and any further issues identified. A full risk assessment will then form the basis of a report to Cabinet for consideration as part of any final decision on implementing Selective Licensing in Wirral.

5.0 OTHER OPTIONS CONSIDERED

- 5.1 The Council has used a range of tools for tackling poor management including property accreditation, healthy homes and enforcement action. Whilst this has had some success the benefit that Selective Licensing brings is a co-ordinated, targeted mandatory approach, where the ultimate sanction is that a landlord can be prevented from letting out properties.
- 5.2 A Borough wide approach was considered but Wirral's has very distinct housing markets which are clearly concentrated in small pockets in the east of the borough as evidenced in various research studies conducted in Wirral and the Merseyside Sub region into low demand. Although the HMRI programme has not operated since 2011 recent evidence from the Performance and Public Health Intelligence Report July 2014 still supports the fact that there is significant polarisation of the housing markets in different parts of the borough. The Council therefore needs to focus resources in the areas displaying to worst problems of low demand.

6.0 CONSULTATION

6.1 It is proposed that a ten week consultation programme will commence in December 2014. The full consultation programme has been set out in the attached Consultation Plan (Business Case Appendix 3 to this report). It is proposed to use a variety of consultation mechanisms to engage with a range of stakeholders including tenants, residents, landlords, service providers, council staff, members and National and Regional Landlord organisations. It is proposed to undertake some specific detailed targeted consultation with those landlord, tenants and stakeholders who directly live or operate in the proposed Selective Licensing areas or those immediately surrounding the areas and are deemed likely to be affected – this will be in the form of letters, poster, drop in sessions.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 It is proposed the business case for the implementation of Selective Licensing will need to be communicated to Voluntary, Community and Faith Groups in order that clients can be supported sufficiently. Following approval of the business case Voluntary Community Action Wirral will be contacted with information given for them to share with their members which will be consistent with communications on the Council website.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 The cost of the public consultation will be met from the 2014/2015 Budgetary provision for Selective Licensing.

8.2 It is estimated costs of operating a scheme in the four areas is estimated to be in the region of £200k per year over the 5 year designation period. As part of the Budget Statement, Council approved an initial budget of £365k from 2014/15 based on an estimated cost and assumptions made regarding fee income. The final costs for operating a Selective Licensing scheme will not be determined until after the consultation has ended and all results have been analysed, specifically feedback on the proposed fee structure which will be offset against the service costs. Whilst the legislation on Selective licensing allows the council to recover costs, the fee will be based on the actual cost of administrating the scheme and needs to reflect the overall costs of the administration of the licence process. Following consultation, the final costs and fees for implementing a scheme will be highlighted in a future report for Cabinet's consideration.

8.3 It is anticipated if a scheme was taken forward, the reduction of vacant and poorly managed properties will drive increases in Council Tax income as more people choose to reside in the areas because of an improved quality of housing offer.

8.4 There are no IT implications for the Council arising from this report.

9.0 LEGAL IMPLICATIONS

9.1 The Housing Act 2004 contains provisions for local authorities to license the private rented sector in some circumstances. Selective Licensing is one form of licensing that can be used. The criteria for selective licensing are:-

1. That the area is, or is likely to become, an area of low housing demand and that making the designation will, when combined with other measures taken in the area by the local authority, contribute to the improvement of the social and economic conditions in the area; and/or

2. That the area is experiencing a significant and persistent problem with anti-social behaviour and some or all of the private landlords with properties in the area are failing to take appropriate action to combat the problem and that making the designation ill, when combined with other measures taken by the local authority, lead to a reduction in or elimination of the problem.

Legal services have been working alongside officers within the Housing Strategy, Standards and Renewal Team to advise them and guide on the legislative requirements and process for designating a Selective Licensing area.

- 9.2 It is anticipated Counsel advice will be sought to ensure that Wirral's Business case and subsequent application to DCLG for area designation is sufficiently robust to support the introduction of the Selective Licensing scheme, as many other local authority areas have had their Selective Licensing designations legally challenged at a judicial review.

10.0 EQUALITIES IMPLICATIONS

- 10.1 It is anticipated that the proposed implementation of Selective Licensing will have a positive impact on stakeholders in the affected areas through improvements in the standards and management of private rented properties, improving the Boroughs Housing Offer and improved access to quality housing in the top 4 Lower Super Output Areas. The introduction of a selective Licensing Scheme is consistent with the priorities identified in the Housing Strategy Statement 2011-2026 of which an EIA was completed. However a full Equality Impact Assessment (EIA) will be completed as part of the final report to Cabinet on the proposed final implementation of any such policy scheme.

11.0 CARBON REDUCTION IMPLICATIONS

- 11.1 The proposed implementation of Selective Licensing will result in improved housing conditions and thermal efficiency of private rented homes.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

- 12.1 There are no planning implications arising from this report..
- 12.2 The designation of the Selective Licensing area can be made if the area to which it relates satisfies one of both of the following – Low demand or significant and persistent Criminal Damage (Anti Social Behaviour) and private landlords are not addressing this. The proposal for Wirral is to undertake a designation based on low demand. Criminal Damage and long term empty homes along with others are contributing indicators which have been used as part of the evidence base to select the areas and are seen as issues which are connected to criminal activity and community safety issues. As part of the additional licence conditions it is proposed that landlords will have to meet certain conditions relating to ASB including taking reasonable and practical steps to reduce and prevent anti-social behaviour through tenancy checks, receiving and responding to complaints and being clear with new tenants on acceptable behaviour. These proposed additional conditions are non mandatory and therefore will form the basis of the consultation programme to be undertaken. The final conditions to be implemented will be set out for members following consideration of consultation feedback.

13.0 RECOMMENDATION/S

13.1 Members are requested to :-

- a) approve the draft proposal for implementing Selective Licensing in the 4 designated areas in the Borough based on the robust evidence base;
- b) approve the consultation plan and draft Business Case as set out in the attached appendices as the basis for public consultation on Selective Licensing;
- c) Give delegated authority to the Strategic Director Regeneration and Environment and the Cabinet Member for Neighbourhoods, Housing and Engagement to undertake minor amendments to the proposal document should further evidence be made available which should be included in the consultation.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 The report sets out the reasons for commencing with a ten week consultation process on the proposed implementation of Selective Licensing in four designated areas in the borough. The consultation will obtain the views of tenants, residents, landlords and stakeholders and is a requirement of the approval process required by DCLG .

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APPENDICES

Draft Business Case

Business Case Appendix 1:	Evidence Base
Business Case Appendix 2	Maps & Address Lists
Business Case Appendix 3:	Consultation Plan
Business Case Appendix 4:	License Conditions
Business Case Appendix 5:	Risk Register

REFERENCE MATERIAL

Approval Steps for additional and selective licensing designations in England, Department of Communities and Local Government, Revised addition 2010
Selective Licensing of Privately Rented Housing December 2013, House of Commons

SUBJECT HISTORY (last 3 years)

Council Meeting	Date