



ECONOMY REGENERATION & HOUSING COMMITTEE

Wednesday, 6 December 2023

| | |
|----------------------|--|
| REPORT TITLE: | CONSIDERATION OF PROPOSAL TO IMPLEMENT SELECTIVE LICENSING FOLLOWING CONSULTATION |
| REPORT OF: | ASSISTANT DIRECTOR: HOUSING |

REPORT SUMMARY

This report presents Members with the results of the consultation exercise for re-designating a Selective Licensing Scheme in two of the areas introduced in April 2019 and introducing it into two new designated areas in the Borough. It is proposed that these four Lower Super Output Areas (LSOAs) listed below are included in a new scheme (referred to as scheme 4) starting on 1st April 2024:

- Birkenhead West – LSOA code E01007127 / Wirral 016B (existing area)
- Seacombe St Pauls – LSOA code E01007273 / Wirral 008B (existing area)
- Bidston & St James West – LSOA code E01007123 / Wirral 011D (new area)
- Egremont North – LSOA code E01007218 / Wirral 002A (new area)

The maps and address lists for the scheme 4 areas are detailed in the Business Case (Appendix 1).

Based on the feedback from the consultation undertaken and the robust evidence used for the Business Case rationale, Members are asked to approve the designation of Wirral's Selective Licensing Scheme (scheme 4) for all tenanted private rented properties within these four designated areas under Section 80 of the Housing Act 2004.

The Scheme contributes to the Wirral Plan 2021-26 by working for safe and vibrant communities where our residents feel safe and are proud to live and raise their families, as well as the Birkenhead Regeneration 2040 Framework by promoting access to good quality housing within strong and sustainable communities.

The Wards affected are Bidston & St James, Birkenhead & Tranmere, Claughton, Liscard and Seacombe.

This is a key decision.

RECOMMENDATION/S

The Economy, Regeneration and Housing Committee is requested to approve that:

1. Selective Licensing shall apply in Birkenhead West (LSOA E01007127 / Wirral 016B), Seacombe St Pauls (LSOA E01007273 / Wirral 008B), Bidston & St James West (LSOA E01007123 / Wirral 011D) and Egremont North (LSOA E01007218 / Wirral 002A);
2. the Selective Licensing designation for the above four areas shall commence on 1st April 2024 and last until 31st March 2029;
3. the selective licence fee shall be at the rate of £585; and
4. any future eligible recharges are reserved for consideration of the review of the next Selective Licensing Scheme which will be brought to this Committee in 2024.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The report sets out the reasons for implementing a Selective Licencing scheme (scheme 4) in four designated areas in the borough. There is a robust evidence base to justify the targeting of proposed areas and support for the scheme has been evidenced through feedback from a wide-ranging consultation exercise. The consultation survey showed that 84.9% of respondents either strongly agreed or agreed with selective licensing proposals compared to 10.3% who either strongly disagreed or disagreed.
- 1.2 Whilst there have been substantial improvements in property conditions, previous and current Selective Licensing schemes demonstrate that without pro-active Council intervention in these areas, vulnerable tenants would continue to live in poor quality, often hazardous housing.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 The Council can cease operating the Selective Licensing Scheme that was declared in 2019 once it ends on 31st March 2024 and could decide not to consider implementing a further scheme. The evidence base from the Wirral Intelligence Service identified that while there has been an improvement in the ranking of two of the initial four areas, two of these original areas, Birkenhead West and Seacombe St Paul's are still in the top 8 Lower Super Output Areas for Wirral in terms of the indicators that contribute to low demand and poor property condition and therefore intervention is still required in these areas to bring the properties up to a good standard.
- 2.2 A Borough wide approach to Selective Licensing was also considered but the Selective Licensing of Housing (Additional Conditions) (England) Order 2015 only allows new schemes to be introduced in areas where the private rented stock is greater than the national average at 19%. Private rented stock in Wirral is just below the national average, at 18.9% and so a Borough wide scheme would not be permitted under the regulations. Furthermore, it would not have been possible to demonstrate a robust need for a Borough wide initiative due to the high demand for housing and strong rental markets in many parts of the borough.
- 2.3 Extending the scheme to include more select areas was also considered, but this option would have generated a cost to the Council in additional staffing resources and associated overheads, as only specific elements of running a selective licensing scheme can be recovered from the licence fee. Enforcement of poor property condition for example, cannot be paid for from the licence fee. It is also considered that restricting Selective Licensing to a distinct and tightly defined boundary will enable the impact of the scheme to be better measured and complementary interventions to be targeted, without them being diluted over a greater area.

3.0 BACKGROUND INFORMATION

- 3.1 At the meeting of the Economy, Regeneration and Housing Committee on 17th July 2023, Members approved a draft proposal and Business Case for a new Selective

Licensing scheme. Members also agreed the consultation plan for the proposal, which was then implemented with a public consultation running between 24th July and 2nd October 2023.

- 3.2 The Council has been successfully operating Selective Licensing since 2015 across a number of areas (see Appendix 2: Selective Licensing Area Definitions). The Schemes have had a significant impact in improving properties through compliance inspections and proactive engagement with landlords, tenants, and residents. In the 2019-24 scheme which is about to end, the compliance rate with licence conditions has been found to be poor with 37% of the properties inspected failing to meet the licensing conditions. This is a similar proportion to other schemes.
- 3.3 As well as the proactive approach to working with private landlords, enforcement of licence conditions is sometimes required. Across all schemes, the Council has successfully secured 18 prosecutions against both individual landlords and managing agents for failing to licence rented properties. Without pro-active Council intervention in the selected areas, vulnerable tenants would continue to live in poor quality, often hazardous housing.
- 3.4 The Business Case in Appendix 1 makes the case for continuing Selective Licensing within Birkenhead West and Seacombe St Pauls, two of the 2019 geographical areas. The evidence shows these areas are continuing to experience the worst symptoms of low demand and poor property condition in the Borough. It also makes the case for introducing selective licensing into two new areas – Bidston & St James West and Egremont North – which are showing similar symptoms. Notable improvements have been made within two of the 2019 areas which have since fallen down the rankings in the matrix due to not being in the top 10 areas for long-term empty properties, the time empty properties remain empty and workless benefits.

Consultation

- 3.5 The consultation on the proposal agreed by Members in July 2023 received the highest ever number of completed questionnaires of any consultation held on proposals to introduce Selective Licensing in Wirral. Responses show that there is overwhelming support for the introduction of Scheme 4. A detailed report on the consultation can be found in Appendix 3. Consultation headlines are as follows:
 - 544 completed questionnaires were received, the majority being through the “Have your say” consultation portal;
 - The majority (84.9%) of respondents either strongly agreed or agreed with selective licensing proposals compared to 10.3% who either strongly disagree or disagreed;
 - The reach of the consultation was wide and methods to engage included:
 - Postcards through 4,300 doors of homes and businesses within the proposed Selective Licensing areas and the neighbouring areas. Posters were also displayed in these areas;
 - An email to 21,000 residents;
 - Two emails to around 3,500 landlords plus a special edition of the Landlord Link-up newsletter;
 - Social media posts, press release and Wirral View article;

- Face-to-face engagement at community venues, drop-in sessions and on the doorstep.
- 3.6 Opposition to the scheme came mostly from landlords via the questionnaire, with 59% of landlords opposing the scheme and 32% supporting it. Feedback during forums with landlords provided a more evenly split view, with around half seeing the benefits of the scheme to the areas in which they have properties. Respondents' comments on opposing the scheme, along with suggestions on changes to the scheme, have been considered and responded to in the Consultation document in Appendix 3. Comments in opposition to the scheme focussed on the additional cost burden for landlords, how the fee would be used, landlords stating the licencing would further encourage them to leave the market and landlords not seeing any benefits from the existing schemes.
- 3.7 Landlord views on the level of licence fee as set for the last scheme were in overall disagreement, with 64% disagreeing that it was reasonable. Officers have carefully considered the level of licence fee for this new scheme and have been able to reduce the recommended to slightly lower than Scheme 3.
- 3.8 The consultation showed overall support from all consultees for the discounts proposed. Landlords prioritised the discount for accreditation by other schemes as the most important. Residents and businesses prioritised the discount for energy efficient properties.
- 3.9 Consultees, both within the landlord and residents and business questionnaires, agreed overall with the priorities concerning licence conditions.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The Housing Act 2004 enables local authorities to set fee levels to recover certain expenditure incurred in administering the scheme and issuing the licence. The Council specifically consulted on the fee structure and the fee level together with the discounts which have been set out in Appendix 4 of this report. The proposed fee reflects findings from the consultation as well as benchmarking with the other Liverpool City Region Local Authorities operating Selective Licensing and reflects the available resources which can be used to reduce the fee.
- 4.2 The costs of operating a scheme in the four areas are estimated to be in the region of £207,030 per year over the five-year designation period with a projected income of £112,550 per year (leaving a balance of £94,480) during this period based on a basic fee level of £585 before any discounts which is slightly lower than the proposed fee for the Selective Licensing Scheme set in 2020 (£595).
- 4.3 Council funding is required to support the scheme as there are elements of the scheme which the Council is not legally able to charge landlords for and will cover the cost of the staffing resource to cover enforcement costs to address hazardous housing conditions. This is already a statutory duty of the Council and therefore cannot be funded from the licence fee and isn't included in the cost of operating the scheme set out in section 4.2.

- 4.4 The Council's eligible recharges from previous Selective Licensing schemes which are currently held in reserves will be used to fund the estimated £94,480 balance per year, required for the proposed scheme, after accounting for fees. This has been done for the two previous Selective Licensing Schemes in Wirral, whereby they support future Selective Licensing Schemes.
- 4.5 The following discounts to the fee structure reflect consultation feedback and it is anticipated will incentivise landlords to:
- come forward and licence their properties in the first 3 months of the scheme;
 - accredit their properties with a national landlord's body to ensure they are kept updated with legislation and best practice;
 - consider energy efficiency improvements to their properties; and
 - reflect higher costs of larger landlords by incorporating a small multiple property discount.
- 4.6 If landlords were to apply all the above discounts, the licensing fee would be reduced to £210 for the 5-year term of the scheme. Take-up for discounts has been modelled on the previous three schemes. If take-up is higher than forecast, this will be funded from the reserve account.
- 4.7 Additional support is available to bring properties back into use in the form of Empty Property Grants of up to £7,000 in Selective Licensing areas and £5,000 elsewhere in the Borough as part of an existing allocation from the Council's Capital Programme. No additional resources are required for this scheme.

5.0 LEGAL IMPLICATIONS

- 5.1 The Housing Act 2004 contains provisions for local authorities to licence the private rented sector in some circumstances. Selective Licensing is one form of licensing that can be used.
- 5.2 Legal services have been working alongside officers within Housing Services to advise them and guide on the legislative requirements and process for designating a Selective Licensing area and to ensure that the Council's Business case is sufficiently robust to support any challenges during the three-month designation period. Should a challenge arise, which could be in the form of a judicial review, additional legal resources would be required.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 Should Members agree to a new scheme, there would be additional costs associated with operating the Selective Licensing Scheme that are not permitted to be charged to the licence fee. This includes for example enforcement resources to remove serious hazards which will need a Council contribution or existing staff re-aligned from within housing services to take on delivery of this role.
- 6.2 It is anticipated this will be delivered by extending the existing resources in place which have been utilised to support the 2019 scheme.

6.3 There are no ICT or Assets implications for the Council arising from this report.

7.0 RELEVANT RISKS

7.1 Risks associated with the introduction of Selective Licensing have been identified in the Risk Register which is Appendix 1.5 to the Business Case (Appendix 1) attached to this report. The risk assessment identifies the controls that are, and will be, put in place to mitigate these factors.

7.2 Following the consultation and with all stakeholders' views having been collated, the Risk Register has been reviewed and no further issues identified.

7.3 12 risks have been identified. They are associated with the designation of the scheme, ensuring there remains a good supply of private rented properties, the successful delivery of the scheme and that there are successful outcomes at the end of the five-year delivery period. As a result of existing controls and planned additional actions, no risks scores are flagged as red, three are flagged as amber and the remainder are flagged as green. Planned additional actions have been given specific deadlines and the Risk Register will be reviewed and updated on an annual basis, at the same time as the planned annual monitoring reports are produced just after the end of each 12-month delivery period.

8.0 ENGAGEMENT/CONSULTATION

8.1 Consultation on the proposal to implement a new Selective Licensing scheme ran between 24th July and 2nd October 2023. A full report on the consultation exercise can be found in Appendix 3.

9.0 EQUALITY IMPLICATIONS

9.1 An Equality Impact Assessment (EIA) has been completed for Selective Licensing ([hyperlink below](#)).

<https://www.wirral.gov.uk/communities-and-neighbourhoods/equality-impact-assessments>

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 Properties within Selective Licensing areas are predominantly older, pre-1919 terrace stock with poor thermal efficiency and tenants are more likely to have a lower-than-average income and consequently are more likely to be in fuel poverty than other parts of Wirral. Selective Licensing in the areas present an opportunity to create a more sustainable housing market by making standards in the private sector better in the face of challenges around climate change. Selective Licensing is expected to reduce emissions of greenhouse gases by ensuring properties are meeting both minimum standards and incentivising landlords to improve the thermal performance of their properties, including through targeted promotional campaigns for financial support from schemes such as the Energy Company Obligation, the Home Upgrade Grant and any subsequent programmes. A discount will be provided

on the standard licensing fee for properties within Energy Performance Certificate (EPC) Bands A-C, which is above the required minimum standard of EPC Band E.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 While there are some portfolio landlords who live out of borough, many landlords who operate in the Selective Licensing area are landlords with just a few properties who are local to Wirral and who employ Wirral contractors to maintain their properties, therefore creating benefit to local employment. Improving thermal efficiency of properties will help address fuel poverty which in turn will enable tenants to save money on household running costs and recycle more income into the local community.

REPORT AUTHOR: Ed Kingsley
Principal Strategic Housing & Investment Officer
telephone: 0151 691 8243
email: edwardkingsley@wirral.gov.uk

APPENDICES

- Appendix 1 Selective Licensing Business Case
- Appendix 2 Definition of Schemes 1, 2, 3 & 4
- Appendix 3 Selective Licensing Consultation Report
- Appendix 4 Proposed Fee and Discounts

BACKGROUND PAPERS

1. *Approval Steps for additional and selective licensing designations in England*, Department of Levelling Up, Housing & Communities, 2015, updated June 2023.
2. *Selective Licensing of Privately Rented Housing December 2013*, House of Commons
3. *Selective Licensing of Housing (Additional Conditions) (England) Order 2015*, Ministry for Housing, Communities and Local Government.
4. *An independent Review of the Use and effectiveness of Selective Licensing, 2019*, Ministry for Housing, Communities and Local Government.

TERMS OF REFERENCE

This report is being considered by the Economy, Regeneration and Housing Committee in accordance with Section 4.2(h)(iv) of its Terms of Reference, the Authority's role and functions to strategic and private sector housing policies and as the housing authority including licensing schemes.

SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|---|----------------------------|
| Economy, Regeneration & Housing Committee: Proposal to Consult on Selective Licensing Scheme. | 17 th July 2023 |