



Cabinet

23 September 2015

Subject Heading:

**TOWNS & COMMUNITIES OVERVIEW
AND SCRUTINY SUB-COMMITTEE -
PRIVATE RENTED SECTOR
LANDLORDS TOPIC GROUP REPORT**

Cabinet Member:

Cllr Osman Dervish, Cabinet Member for
Regulatory Services and Community
Safety

CMT Lead:

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Policy context:

Private Rented Sector Policy

Financial summary:

The recommendations are subject to the
development of a cost neutral business
case.

Is this a Key Decision?

No

Is this a Strategic Decision?

No

When should this matter be reviewed?

September 2016

Reviewing OSC:

Towns & Communities

The subject matter of this report deals with the following Council Objectives

Havering will be clean and its environment will be cared for	[x]
People will be safe, in their homes and in the community	[x]
Residents will be proud to live in Havering	[x]

SUMMARY

The attached report contains the findings and recommendations which emerged after the Topic Group had scrutinised the subject selected by the Sub-Committee in July 2014 concerning private sector landlords and houses in multiple occupancy (HMOs).

The environmental, equalities & social inclusion, financial, legal and HR implications and risks are addressed within the Topic Group's report.

RECOMMENDATIONS

That Cabinet agree to:

1. Introduce a Selective Licencing Scheme in the Wards of Brooklands, Gooshays and Heaton, subject to consultation and development of a cost neutral business case.
2. Introduce a Selective Licencing Scheme covering the rest of the borough or other specific identified wards subject to consultation, development of a cost neutral business case and the Secretary of State's Approval

REPORT DETAIL

Introduction

1. The Towns and Communities Overview and Scrutiny Sub-Committee Topic Group reviewed the current status of Private Sector Housing (PSH) in Havering and considered examples of PRS landlord regulation schemes to then enable discussion on the merit of developing such a programme within Havering.
2. During the review, the Topic Group noted the dramatic rise in the growth of "shared homes" which in turn had led to a significant increase in the number of campaigns and petitions organised to challenge the development of these shared homes - also known as Houses in Multiple Occupation (HMOs). The Council has responded in a number of ways including its recently completed consultation on the proposed introduction of an Article 4 Direction to impose requirements for express planning permission for proposed changes to HMOs.

3. The Topic Group explored existing regulatory control currently in place and the possible regulatory options, should supporting evidence demonstrate that a development in the Private Rented Sector (PRS) control was necessary.
4. The Topic Group also considered the financial implications of introducing additional licensing and the report highlights the benefits and disadvantages that additional licensing would have across the borough.
5. The report identified two possible solutions for the Council to consider as future implementation recommendations for PRS regulation and has provided reasons for its decisions.
6. Comparison of the potential operational costs with income from fees were discussed within the Topic Group report. Havering would need a tailored cost recovery scheme rather than simply mirror other London Boroughs schemes, to achieve a neutral impact on the councils finances. This is reflected in the report's Recommendations and the Financial Implications section below.
7. Since the Topic Group's consideration of the Hemming v Westminster legal case concerning fees recovery a further judgement has been handed down in favour of Westminster Council. This will be taken into account as part of the cost recovery modelling.

REASONS AND OPTIONS

Reasons and Options

Reasons for the Decision:

Under the Local Government and Public Involvement in Health Act 2007, s. 122, Cabinet is required to consider and respond to a report of an Overview and Scrutiny Committee within two months of its agreement by that Committee or at the earliest available opportunity. In this case, Cabinet is required to do this by its meeting on 5 October 2015. Cabinet is also required to give reasons for its decisions in relating to the report, particularly in instances where it decides not to adopt one or more of the recommendations contained within the report.

Alternative Options Considered:

There are no alternative options.

IMPLICATIONS AND RISKS

Financial Implications and Risks:

The report identifies three options for the licensing of private sector housing:-

- Voluntary Accreditation of Landlords
- Geographical Selective licensing of all properties (which potentially can be extended to borough wide) – ie this is a charge per property. This would include HMOs.
- Additional licensing of HMOs (ie to include dwellings below the current 3 storey threshold)

The recommendation is for selective licensing. Voluntary accreditation is viewed as insufficiently effective, in that only the better landlords are likely to come forward. “Additional licensing” will be covered within the proposed selective arrangements.

Detailed financial modelling will be required to ensure that any licensing scheme has a neutral impact on the Council's finances. This would be achieved by ensuring that the cost recovery model balances the full costs of the scheme (including consultation, set up, implementation, administration, operation and enforcement – taking account of the supreme court judgement in the case of Hemming v Westminster) against the income which will be derived from locally set fees. The latter may include designing a fee structure so it is proportionate to different demand types such as the higher operational and enforcement costs associated with licensing Private Rent Premises which are more problematic than others. Finance will advise on and clear any proposed business case.

The Overview & Scrutiny report provides indicative costings for Selective Licensing, both in 3 wards, and borough wide. During business case development, Finance will ensure that the full cost of the proposals are identified.

The report quotes possible indicative charges; for information, these would cover a license for a 5 year period

Legal Implications and Risks:

The Topic Group report summarised the then implications of the Hemming and Westminster City Council judgement concerning licensing fees. A Supreme Court decision has since overturned that decision in favour of Westminster.

Human Resources Implications and Risks:

There are no specific Human Resources implications in this covering report.

Equalities and Social Inclusion Implications and Risks:

This covering report sets out the recommendations made by the Private Rented Sector Landlords Topic Group to the Towns and Communities Overview and Scrutiny Sub-Committee following the completion of a scrutiny review.

There are no specific implications in this covering report.

BACKGROUND PAPERS

None

<p style="text-align: center;">REPORT OF THE TOWNS & COMMUNITIES OVERVIEW AND SCRUTINY SUB COMMITTEE PRIVATE RENTED SECTOR LANDLORDS TOPIC GROUP</p>

1.0 BACKGROUND OVERVIEW

- 1.1 At its initial meeting on 1 July 2014, the Towns & Communities Overview and Scrutiny Sub-Committee agreed to set up a Private Rented Sector (PRS) Landlords Licensing Topic Group to consider the options of introducing methods to monitor and control the activity of PRS landlords in the borough.
- 1.2 The membership of the Topic Group was open to all members of the Sub-Committee. The Group was led by Councillor Jason Frost with Councillors Jody Ganly and Linda Hawthorn as members.
- 1.3 The aim of the Topic Group was to explore various licensing schemes, the process that would be taken in Havering and understanding current best practice in other boroughs. The Group wanted to look at the main recognised means of private rented regulation currently operating in other local authorities and to consider the different approaches as potential solutions in Havering.
- 1.4 Since the inception of the Topic Group and during the work that was carried out to investigate and report back their findings, there had been some significant factors that had led to changes to the scope of the Topic Group's work.

2.0 SCOPE OF THE REVIEW

- 2.1 At the initial scoping meeting Members decided that the aim of the Topic Group was to consider the following:
 - Understand if there was any Landlord Licensing process, Landlord Accreditation or other scheme offering regulatory control of the PRS operating in Havering.
 - Identify what schemes were running in other boroughs.
 - Consider which schemes offering regulatory control of the PRS could be implemented in Havering based on supporting evidence.
 - Identification of the process that would have to be taken by the Council to introduce such regulatory control.

The scope ultimately developed into:

- Producing a range of information about the demographics and condition of the PRS and intelligence about relevant activities operating in the sector.
- Analysing the information to identify hotspots of demographic trends and PRS activity.
- Building on the data already gathered to produce more robust evidence of good practice about the type, scale and success of Landlord Licensing Schemes in other local authorities.
- Based on the intelligence and evidence of good practice, identifying an appropriate Licencing Scheme in Havering to regulate the identified issues in those areas.

3.0 FINDINGS

- 3.1 The Topic Group met on six occasions with relevant officers from the Housing and Public Protection Services to discuss the future of PRS regulation and discuss possible solutions.
- 3.2 The Topic Group summarised the current status of Private Sector Housing (PSH) in Havering and examples of PRS landlord regulation schemes to then enable discussion regarding the merit of developing such a programme within Havering.
- 3.3 The Topic Group was made aware there are three main potential options for the Council if it would like to proceed with tighter regulation of Landlord activity in the PRS in some or all areas in Havering. The main options for consideration were: (1) the voluntary Accreditation of Landlords or Mandatory Landlord Licencing; (2) through Selective Licencing and/or: (3) Additional Licencing
- 3.4 During the work of the Topic Group, public concerns were being raised and community led campaigns and petitions had been organised to challenge the development of shared homes, also known as Houses in Multiple Occupation (HMOs). This led to proposed introduction of an Article 4 Direction to impose requirements for express planning permission for proposed changes to HMOs. In addition to this, the collective interest in a potential Landlord Licencing Scheme, to deal with HMOs and the wider activity in the PRS, has increased. Finally, to support both these ways of improving the Council's regulation of rogue practices in the PRS, the Council had begun to build a range up-to-

date of information about the demographics and conditions of the sector and other relevant intelligence.

- 3.5 As a result, the scope of the Topic Group redefined the scope of the work to a more specific remit. The Group used the background work already carried out to identify and explain the possible types of Licencing Schemes to recommend a specific scheme that, based on reliable intelligence, would best serve the Council.
- 3.6 That investigative work was now completed with the result that there was sufficient evidence and a rationale to support a recommendation to the Towns & Communities Overview and Scrutiny Sub-Committee to agree, subject to consultation, the initial introduction of a Selective Licencing Scheme in the wards of Brooklands, Gooshays and Heaton. This would be followed by a Selective Licencing Scheme for other identified wards or the remainder of the borough, subject to consultation and the necessary Secretary of State Approval.

HAVERING'S PRIVATE RENTED SECTOR

London is experiencing a housing crisis. In Havering as with all London Boroughs, there had been a decreasing number of Council homes available in the social rented sector yet an increasing demand for affordable housing products. In addition to restricted mortgage availability, rising house prices and expensive start up fees being charged by commercial letting agents, there is an increasing need for significant deposits to support home purchase in the owner occupied sector. All of these contributing factors are acting as barriers to home ownership and are leading to considerable reliance on the PRS to meet affordable housing demand.

According to the 2011 Census about 11% (1 in 9) of the housing stock in Havering was privately rented which was significantly lower than the London average of 25% (1 in 4). However Havering Council has seen significant growth in the PRS over the past ten years. The Census 2011 revealed that the PRS in Havering had more than doubled over the past 10 years. In March 2011, the number of private rented sector dwellings had risen to 10,337 compared to 4504 in April 2001.

Recent PRS growth in Havering had therefore signalled the need for tighter regulatory control over the activities of landlords to ensure a thriving sector and well managed stock for future years to come.

The need for tighter regulatory control was further emphasised by evidence showing that the numbers of Housing Benefit claimants living in the PRS has increased from 3,800 in 2007 to 7,331 by April 2013 and for the first time, there were more claimants living in private rented homes than claimants in the social rented sector. With such growth in mind, the need to ensure effective

management of such properties in Havering was becoming an increasingly apparent housing pressure.

REGULATORY CONTROL OF THE PRIVATE RENTED SECTOR

The Topic Group had explored the existing and possible options for PRS regulation in Havering to determine the need for further controls surrounding the development of rented homes.

EXISTING REGULATORY CONTROLS

The Topic Group noted that Havering Council currently used the following existing methods to regulate the PRS:

1. Mandatory Licencing of HMOs

Havering Council currently operates a systematic HMO Licensing scheme that is a mandatory requirement under Part 2 of the Housing Act 2004. Under Section 254, all local authorities in England and Wales must license properties that are three or more storeys high, with five or more persons, who form two or more households and contain shared facilities.

A mandatory HMO licence will specify the maximum number of people who may live in the HMO along with conditions such as:

- A valid annual gas safety certificate
- Evidence that each occupier has a written agreement
- Evidence that electrical appliances, installation and furniture are to present standards.
- Licence holders must be a fit and proper person, meaning the council will look into the proposed licence holders convictions history, specifically determining if they have historically managed HMO's otherwise than in accordance with any approved code of practices

A licence is valid for five years from the date of issue. Havering Council charges a standard HMO license fee of £129.30 (£128 in 2014/15) per unit of accommodation, so that would be £646.50 for a three storey shared house with five single person lettings. There is an extra charge of £58.90 to arrange a site visit before submitting an application, and a fee for varying existing licences whilst the licence is in force. Licence renewals are charged at half the current rate for new applications. A charge is also made for variations to a licence whilst the license is in force.

Concessions or discounts are made for:

- Landlords that are accredited with the London Landlord Accreditation Scheme or that are members of a recognised Landlord Association.
- Discounted rate per unit for a registered charity, or not for profit organisation.

2. HMO Standards

The Housing Executive sets the minimum standards for Houses of Multiple Occupation (HMOs). They refer to the minimum requirement standards for fire protection, room sizes, functionality and amenity provision. They also refer to repair and management regulations.

Havering Council's Public Protection team works to ensure that landlords in its area comply with these standards and that all HMO's in operation are fit and safe to live in by occupants.

3. Housing Health and Safety Rating System (HHSRS)

The Housing Health and Safety Rating System (HHSRS) is a risk-based evaluation tool to help local authorities identify and protect against potential risks and hazards to health and safety from any deficiencies identified in dwellings. It was introduced under the Housing Act 2004 and applies to residential properties in England and Wales.

The HHSRS assesses 29 categories of housing hazard. Each hazard has a weighting which will help determine whether the property is rated as having category 1 (serious) or category 2 (other) hazards.

4. Article 4 Directions

In line with legislative requirements, Havering exercises all mandatory regulatory controls over the PRS. However it, does not exercise all the discretionary powers available to a local authority that can help to control conditions in the PRS.

On 13th July 2015, the Council decided to exercise one of the additional discretionary regulatory controls available to a local authority (Article 4 directions) under the Town and Country Planning Act 1990. In short, Article 4 directions change the permitted development rights in relation to change of use from dwelling houses to an HMO.

The Council has consulted on the proposed introduction of two Article 4 Directions:

- **HMO Article 4 Direction No. 1** - applies in wards of Brooklands, Romford Town, Heaton and Gooshays. In these wards, planning permission would be required to change any single-family property into an HMO with up to six occupants

- **HMO Article 4 Direction No. 2** - applies to the whole of the borough, excluding the four wards listed above. In this area, planning permission would be required to change a self-contained flat, terraced house or semi-detached house into an HMO with up to six occupants. The introduction of an Article 4 direction in Havering intends to tackle the notable increase of homes being converted in Havering to HMOs in the borough. In the main, upon investigation, most recent reports of HMO conversions involve smaller semi-detached or terraced houses.

There has been an increasing concern in the borough that such properties, being in such close proximity to existing single household dwellings and given their likely intensity of occupation, would cause significant noise and other disturbance to adjoining and nearby residents. There was further concern that, uncontrolled, there could be a concentration of HMOs in certain areas resulting in social issues.

POSSIBLE OPTIONS FOR REGULATORY CONTROL

Havering Council could consider using the following possible regulatory options, should supporting evidence demonstrate a development in PRS control is necessary.

5. Selective Licencing

Section 80, Part 3 of the Housing Act 2004 gives Councils the power to implement a selective licensing scheme for all types of PRS properties within a defined geographical area. This is in order to tackle problems associated with low demand or where evidence suggests there are significant problems of ASB, and landlords are insufficiently managing their properties.

From 1st April 2015, the Minister of State for Housing and Planning confirmed that local authorities would have to seek permission 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. This requirement was introduced to ensure that local authorities would only use this regulatory tool to focus on activity in areas with the worst problems, as opposed to adversely impacting upon good landlords.

In order to introduce selective licensing, local housing authorities had been able to designate their entire district, or an area within a district, subject to the proposed area meeting one or more of the following criteria (criteria A and/or criteria B)

- **Criteria A:**

The area was one which was experiencing (or is likely to experience) low housing demand and the local housing authority was satisfied that 'designating' an area would, when combined with other measures, lead

to improved social and economic conditions in the area. This included considering;

- Value of residential premises in the area, in comparison to the value of similar premises in other comparable areas.
- The turnover of occupiers in residential premises.
- The number of residential premises available to buy, rent and length of inoccupation.
- Lack of mixed communities in terms of tenure.
- Lack of local facilities.
- Impact of the PRS on the local community.
- Criminal activity.

AND/OR

• **Criteria B:**

The area was experiencing a “significant and persistent” problem caused by anti-social behaviour and that some or all private landlords in that area are not taking appropriate action to tackle this. Moreover, the designation in combination with other measures would lead to a reduction in or elimination of the problem. This includes considering;

- that some or all of the private sector landlords who have let premises in the area (whether under leases or licences) are failing to take action to combat the problem that it would be appropriate for them to deal with.;
- Crime: tenants not respecting the property in which they live and engaging in vandalism, criminal damage, burglary, robbery/theft and car crime; and that criminal activity has increased in the area within a short period of time. It should be considered if the criminal activity is impacting some of the people living in or around private rented accommodation.
- Nuisance Neighbours: intimidation and harassment; noise, rowdy and nuisance behaviour; animal related problems; vehicle related nuisance. Tenants engaged in begging; anti-social drinking; street prostitution and kerb-crawling; street drugs market within the curtilage of the property.
- Environmental Crime: tenants engaged in graffiti and fly-posting; fly-tipping; litter and waste; nuisance vehicles; drugs paraphernalia; fireworks misuse in and around the curtilage for their property

With effect from 1 April 2015 and the new General Approval, additional criteria for making a selective licensing scheme had come into force which Havering must consider. Four new grounds were introduced as criteria by The Selective Licensing of Houses (Additional Conditions) (England) Order 2015. At least one of the following criteria must be proved to justify the introduction of selective licensing;

- Poor property conditions.
- High levels of migration.
- High levels of deprivation.
- High levels of crime.

In considering whether to designate an area for selective licensing, on one of the above grounds, a local authority may only make this designation if it can prove it has a high proportion of PRS property in the area.

Nationally the PRS makes up 19% of the total housing stock in England. The actual number of privately rented properties in any given area may be more or less than this. If it was more than 19% (2014 figure, English Housing Survey) an area can be considered as having a high proportion of PRS properties.

Before making a decision to designate an area for selective licensing an authority must consider whether there are alternative means of addressing the issues – for example, through the introduction of a voluntary accreditation scheme for landlords. It must also ensure that any proposed licensing scheme fits with its overall housing strategy and policies on homelessness and empty dwellings.

Beneficial Outcomes of Selective licensing

The Topic Group considered some of the main beneficial outcomes as being;

- The physical condition, quality of management and quality of the whole private rented stock in any designated area have all been known to improve following the implementation of selective licensing, beneficial for landlords, tenants, the overall local authority and local communities
- The potential benefits for landlords of a Licensing Scheme would be more informed and responsible tenants, increased rental income for landlords as areas improve, shorter void periods and tenancy turnover, cheaper maintenance bills for properties, reduced crime and vandalism, reduced levels of fly tipping and waste issues or environmental crime, more involved landlords sharing good practice, and desirable residential communities. It would also create an even playing field so decent landlords would not be undercut by an unscrupulous minority. The impact is across the whole PRS in any designated area
- The main benefits to neighbourhoods and local communities is that increasing housing demand and reducing anti-social behaviour would improve problem areas, making these safer and more desirable places to live. Reduced environmental costs would also occur to neighbourhoods and the Council, through tackling fly tipping and other forms of environmental crime.

- It would improve the management practices of landlords of all PRS properties. This would, in turn, make renting privately a more viable option in the longer term.
- The local authority would gain extensive knowledge about private renting in a particular area. This would enable Havering Council to target support, information and enforcement more effectively and to better understand the root of problems the local authority faces, this would impact the whole of the PRS in a designated area.
- Selective licensing can help protect vulnerable groups living in privately rented accommodation. Tenants could also see economic benefits, for example in reduced heating costs and improved likelihood of regaining any deposit paid as landlords improve their management practices. It could also help to increase length of tenure and reduce the incidence of homelessness.
- Improvements to the neighbourhood could also benefit private tenants' security and sense of community.
- Selective licensing could achieve an even playing field. It must be considered with additional licensing, landlords could be dis-incentivised against the creation of HMOs. If licensing was applied for all properties in a designated area, it could help to ensure a healthy tenure mix is sustained.

Risk Considerations of Selective Licensing

The Topic Group considered some of the main risks of introducing selective licensing which are:

- There was a moral argument that it was unfair to make good landlords who already commit to good management practices pay out substantial fees due to the poor management and conditions created due to the bad management of some landlords. However this argument was applicable to all forms of PRS licensing (including additional licensing).
- In a number of case studies that have undergone the licensing process the consultation process particularly, for selective licensing, had been extensively criticised and protested by landlords in a wide range of local authorities. If this proposal was taken forward for consultation, it must be considered Havering Council will be no exception.
- Selective licensing may have a negative impact on the future development of the PRS in licensable areas. There is a notable risk that landlord could be less inclined to acquire further properties for rental purposes and particularly in the case of smaller landlords, could even consider selling properties due to financial implications of

licensing. In this sense growth and development of the PRS in licensable areas may be hindered.

- It must be considered that selective licensing was known to encourage landlords in these areas to increase rents to cover the licensing fees, these costs were passed on to tenants and may prevent more people in the borough being able to rent a home
- Selective licensing is an expensive financial venture for any local authority however the benefits have been known, from previous experience, to bring about long-term sustainable outcomes that could be considered to have positive financial implications.
- The success of selective licensing schemes relies upon effective local authority administration. For example, proactive inspections within quick timescales as opposed to a 'desktop exercise' whereby a fee is charged to landlords and insufficient checks are being made upon the total landlord population due to restricted resources being made available

6. Additional Licencing

Additional licensing extends the use of licensing powers provided through the Housing Act 2004 to smaller HMO properties not covered by Mandatory Licensing.

An Additional Licensing Scheme requires all privately rented HMO's which are located within the whole of the borough or just a designated area to be licensed under Part 3 of the Housing Act 2004. Additional licensing operated in the same way as mandatory licensing, possessing the same legal status as well as penalties for non-compliance.

Additional licensing schemes could be introduced if the local authority was satisfied that a significant proportion of the HMOs in the borough were being poorly managed and were giving rise to problems affecting occupiers or members of the public. As with selective licensing, the local authority has to be satisfied that an area is experiencing a significant and persistent problem with ASB (which could include crime, nuisance neighbours or environmental crime) due to the incidence of HMOs.

Beneficial outcomes of additional licensing

The Topic Group considered some of the expected beneficial outcomes of introducing additional licensing as being:

- Additional licensing could help to protect vulnerable tenants and ensure better overall safety across HMOs in the community with hazards being identified upon inspection.

Cabinet 23 September 2015

- Raising standards across the HMO sector could help improve neighbourhood amenity for all the local community and also in the long run this should have a positive impact on property values that surround HMO's, benefitting landlords and other property owners alike.
- Improved management standards would see landlords and/or their agents being better equipped to deal with the running of the property, bringing about early intervention into issues that would otherwise result in major issues developing. This should result in creating financial savings and effective landlord and tenant relationships.
- An improvement in HMO conditions could lead to changing perceptions from a wide range of potential occupiers in the current housing climate. In consideration of the rising house prices in Havering, welfare reform and recent changes to Housing Benefit eligibility for the single room rate, HMOs are providing an affordable housing option for more people. This was of particular importance considering the increasing number of inward migration into Havering and future predictions for significant population growth. Licensing could help to promote the sustainable expansion of good quality HMOs in helping to meet local housing need and alleviating the housing pressures upon the Council.
- Improving the living conditions through licensing conditions would help to achieve tenancy security through ensuring an appropriate level of amenities is created. An expected outcome is that an increasing number of people will look towards HMOs as permanent accommodation, leading to longer tenancies and a reduction in tenancy transiency.
- An additional licensing scheme could impact positively on the wider local community as the outcome of better managed HMO properties means less ASB which was often experienced by those living next to or amongst HMO accommodation.
- The process of licensing could provide motivation to improve standards and ensure non-compliant landlords either improve their properties or remove themselves from the sector. This would have the added benefit to the many landlords who strive to provide decent accommodation by creating a 'level playing field' in the HMO market.
- Additional licensing could be expected to even the playing field with HMO stock, giving the Council the ability to tackle issues not only in larger properties governed by mandatory HMO regulations but also smaller properties. It also helps the Council to be able to monitor not just the management conditions of a HMO but also internal and external property

conditions that may be of concern to both tenants themselves and the wider neighbourhood.

Notably these benefits are very similar to the ones outlined for selective licensing; however the impact of additional licensing differs by only tackling the issues with HMOs in the borough. In contrast, selective licensing seeks to apply all beneficial outcomes listed on a much wider scale, applicable to all PRS accommodation and dwelling types in a designated area of choice.

Risk Considerations of Additional Licensing

The Topic Group considered that the introduction of additional licensing could also cause some negative impacts;

- As with selective licensing, additional licensing also sets a requirement for fees to be charged to landlords. However the impact of this upon landlords of HMO properties only may differ from the impact expected from selective licensing. The stringent regulation of HMO accommodation through additional licensing may represent a threat on the supply of HMOs in the borough. Many HMO landlords or landlord considering HMO development may seek to avoid these fees. This may hinder the development of HMO products in Havering. This is a considerable risk for the Council to consider as HMOs represent a significant opportunity to meet the ever increasing housing need in the borough
- The supply concerns around the costs incurred to landlords over additional licensing may result in fragmented availability of HMOs in Havering if the scheme is implemented in designated areas. This would make HMO accessibility harder for people wanting to live in these locations and for those who can only afford to live in these certain areas of the borough.
- Most of the other risk considerations associated with selective licensing would also apply to the risk considerations associated with additional licensing

THE EVIDENCE FOR FURTHER REGULATION OF THE PRS

The Topic Group reviewed evidence from a range of different bases to help inform the need for additional regulatory controls of the PRS in any area or multiple areas of the local authority.

The table below summarises the evidence data tables and maps detailed in appendices (3-14) that had been used to produce intelligence on PRS related facts in Havering. The data which has been selected best illustrates the demographic character, relevant activities and profile of Havering's PRS characteristics.

The table presents a simple ranking (1 being best, 18 worst) of various wards according to various comparators. The comparators selected are the ones which under statutory guidance may be required as the necessary to demonstrate the need for a certain regulatory control.

The comparators broadly address core areas on a ward by ward comparison of:

- **Overarching PRS demographics including;**
 - population density,
 - composition of ward PRS accommodation as a % of total housing stock in the ward area,
 - composition of ward PRS accommodation as a % of total housing stock in Havering as an overall borough,
 - Housing Benefit claimants,
 - New Housing Benefit claimants or migration indicators in Havering and
 - Deprivation statistics in Havering.
- **ASB and Crime Statistics including;**
 - Anti-Social Behaviour in Havering, prevalence on a ward basis,
 - Criminal Damage in Havering, prevalence on a ward basis,
 - Burglary in Havering, prevalence on a ward basis and
 - Overall Crime Rate in Havering prevalence on a ward basis.
- **Property Conditions and Environmental Crime Statistics including;**
 - Category 1 Hazards in the PRS on a ward basis,
 - Category 2 Hazards in the PRS on a ward basis,
 - Noise complaints made to the local authority surrounding incidence of PRS accommodation and
 - HMO prevalence in the PRS on a ward basis.

The Topic Group has therefore considered all potential requirements in some level of detail that could be used as a justification for further regulatory control of the PRS that was available to the local authority.

Ward	Demographic Characteristics of Havering's Housing Stock				Evidence of Crime in Havering				Environmental Crime in Havering				Score	
	Pop Density	PRS Composition as a % of the ward dwellings (2011)	PRS Composition as a % of total borough wide dwellings in Havering (2011)	New Housing Benefit Claimants	ASB	Criminal Damage	Burglary	Crime Rate	Cat 1 Hazards	Cat 2 Hazards	Noise	HMO Prevalence	Total Score	Ultimate placement
Brooklands + Gooshays + Heaton	1	1	1	1	1	1	1	1	1	1	1	1	12	1
Romford Town	2	2	2	3	2	2	2	2	2	2	2	2	25	2
Brooklands	9	3	3	2	4	4	3	3	5	3	3	4	46	3
South Hornchurch	13	9	9	5	6	8	4	7	3	6	10	5	85	4
Rainham and Wennington	18	6	5	7	8	6	7	5	4	5	13	7	91	5
Gooshays	14	10	14	6	3	3	13	4	6	10	5	8	96	6
Heaton	8	12	15	4	5	5	15	9	10	7	4	4	98	7
St Andrews	4	5	6	12	10	7	8	6	7	13	7	14	99	8
Elm Park	10	11	10	10	11	12	5	11	9	4	9	6	108	9
Harold Wood	16	7	7	11	9	9	6	8	11	8	8	9	109	10
Squirrel's Heath	3	4	4	10	13	15	10	15	8	9	14	12	117	11
Mawneys	7	8	8	9	12	11	12	12	12	10	16	11	128	12
Havering Park	17	15	15	8	7	10	18	13	15	15	6	10	149	13
Hylands	6	16	16	15	14	13	11	10	16	16	11	15	159	14
Hacton	5	14	12	14	19	18	14	18	14	12	18	13	171	15
Pettits	11	17	17	13	16	16	9	16	13	14	15	16	173	16
Upminster	19	13	13	18	15	17	17	14	17	17	12	19	191	17
Cranham	15	17	18	16	18	14	19	19	18	19	17	17	207	18
Emerson Park	12	19	19	17	17	19	16	17	19	18	19	18	210	19

Key findings

Whilst this table outlines a scored ranking of where each ward comes in terms of each respective comparator it is important to point out some of the key ward characteristics and features on an individual basis.

The Topic Group has grouped the findings under identified comparators or the 'common factors' used by local authorities to justify the use of available PRS regulation control powers.

There is a great disparity between different areas of Havering according to different characteristics. For example, stock conditions in Emerson Park are vastly different from Romford Town. From this it is clear at a glance the evidence was suggestive of designated area approaches to regulatory

controls over a borough-wide approach. However it was important to observe each aspect of PRS evidence on an individual ward by ward basis to determine the extent of any such issue.

The core findings below will therefore discuss the standout ward demographic findings across Havering for all recognisable comparators.

Across all comparators the summary table indicates if designated areas were to be selected through a licensing regulatory control, the most pressing areas in Havering that should be focused upon are Romford town, Brooklands, Heaton, South Hornchurch or Rainham and Wennington.

It was important to point out that areas of Romford Town, Brooklands, Heaton and Gooshays had the greatest concentration of PRS conditions and issues within a smaller geographical area.

PRS Demographics – please refer to appendices 3-5

- **Population density;**
 - The greatest increase in population density has occurred within Romford Town centre, which could be expected within town centres where there is a concentration of new build development.
 - Brooklands had the second highest growth in population density at 11.52% (2006-11) behind Romford Town, from 2001-2011. Gooshays had gone from slight decrease (2001-6) to significant growth, a change matched by Havering Park and Mawneys.
 - Except for Hacton every single ward grew in population density from 2006-2011.
 - The density information gave a degree of context, however there was no indicator suggesting that there are issues in the PRS.
- **Composition of ward PRS accommodation as a % of total housing stock in the ward area**
 - Romford Town has the highest proportion of private rented accommodation of any ward, at 23.07%. Furthermore it has the highest growth of total stock at 123.33% (this includes both PRS and non-PRS accommodation)
 - In terms of growth of the PRS from 2001-11 Heaton was the stand out borough, the PRS of Heaton has increased 300% in 10 years.
 - Brooklands has the second highest proportion of Private Rented accommodation in the borough at 16.67%
- **Composition of ward PRS accommodation as a % of Havering's over all PRS;**
 - Romford Town contains 16.32% of the borough's PRS
 - The statistical group that consisted of Brooklands + Gooshays + Heaton (B+G+H) contains 18.67% of the boroughs PRS

- **New Housing Benefit Claimants (migration indicator)**
 - Romford Town does not rank top in this category, it contains 14% of the new Housing benefit cases, but in numerical terms this is not as high as the 14% representation contained in Brooklands.
 - B+G+H contains 31% of all new housing benefit claimants (2014-2015). This was nearly a third of the boroughs new housing benefit claimants in only three of its wards.
 - Romford Town was proportionally underrepresented in new housing benefit claimants, Brooklands was considerably over represented, as was Heaton and to a lesser extent Gooshays.
- **Deprivation - please refer to Appendix 14;**
 - In the ranking of average score of deprivation Gooshays and Heaton come first. They are significantly more deprived than other areas.
 - (The ward level measures in this file are the results of calculations undertaken by the Greater London Authority, based on the Lower Layer Super Output Area (SOA) level Indices of Deprivation 2007 and 2010 from the Department of Communities and Local Government.).
 - Romford Town was the sixth most deprived ward, behind Gooshays, Heaton, South Hornchurch, Havering Park and Brooklands.
- Romford Town recorded top in each category listed except Housing Benefit claimants. There were cases in which Romford Town does not receive the top score, (growth of the PRS 2001-11). However these cases had been disregarded as not central to the question of selective licensing.
- Romford Town contains 16.32% of the entire boroughs PRS. This is the highest amount of any ward.

ASB & Crime Evidence Summary - please refer to appendices 6-7

- A more recent report on Decent Homes in 2011 found that across London more than 30% of the PRS has been found to be below the Decent Homes standard, emphasising the need for local authorities to take greater responsibility for controlling its PRS.

- **ASB;**
 - Romford Town has the highest percentage of Havering's ASB, at 16.16%.
 - Gooshays has only 4.4% of the boroughs PRS but it has 10.75% of its ASB.
 - The data gathered doesn't pertain to the PRS, but it does provide broad indicators that there are issues in the wards.
 - Behind Romford Town (1st) and Gooshays (2nd) came Brooklands and Heaton respectively. B+G+H had 26.35% of the boroughs ASB, significantly over proportional to its 18.67% PRS.
- **Criminal Damage in Havering prevalence on a ward basis**
 - Romford Town contains the highest percentage of the boroughs criminal damage, at 14.16%, this was lower, proportionally, than Romford Town's percentage of PRS.
 - The criminal damage information was once again not specific to the PRS; it does provide broad indicators of ward conditions though.
 - Gooshays has 11.42% of the ward's criminal damage, this is significantly over proportionate.
 - B+G+H contains 27.28% of the boroughs entire criminal damage, unlike Romford Town this is over proportional to the PRS in these wards.
- **Burglary in Havering prevalence on a ward basis;**
 - The figures for burglary are split particularly evenly most wards receive a proportionally accurate level of burglary in the borough.
 - Romford Town receives 8.88% of the boroughs burglary, the B+G+H statistical group receives 17%, both disproportionate to their PRS percentage, though Romford Town more so.
 - It was worth noting that in targeting the bigger number there is a likelihood that there would be more benefit.
 - The burglary information is once again not specific to the PRS; it does provide broad indicators of ward conditions though.
- **Overall Crime Rate in Havering prevalence on a ward basis**
 - The figures on total crime rate were consistent with those of the PRS. Romford Town and B+G+H were relatively accurate in regard to their PRS percentage
 - Proportional accuracy aside, when targeting the bigger area there was likely to be more benefit
 - The overall crime rate information was once again not specific to the PRS; it does provide broad indicators of ward conditions though.

- **Category 1 hazards in the PRS on a ward basis;**
 - These figures related directly to the PRS, meaning they specifically indicated issues therein.
 - Romford Town reports more category 1 calls than any other ward (65, 15%).
 - This was actually a slight under-representation considering Romford Town has 16.32% of the PRS in Havering.
 - Brooklands, Heaton and Gooshays were all over-represented in this category, the statistical group receives 21% of the category 1 calls, whilst only containing 19% of Havering's PRS.
 - South Hornchurch and Rainham and Wennington, both in the south of the Borough together received 18% of the calls, whilst containing only 14% of the PRS.
- **Category 2 hazards in the PRS on a ward basis;**
 - These figures were directly taken from the PRS, meaning they were related to the PRS and indicate issues therein.
 - Once again B+G+H was over-represented, receiving 23% of the calls for category 2 hazards.
 - Romford Town was proportionally accurate in this category.
- **Noise complaints made to the local authority surrounding incidence of private rented accommodation;**
 - Romford Town was significantly under represented here, receiving only 12.28% (2014-15) of noise complaints (calls related to Romford Town's nightlife are considered irrelevant).
 - B+G+H receives 23.98% (2014-15) of calls, this was significant over representation, and once again a higher portion of the total when compared to Romford Town.
 - Brooklands, Heaton and Gooshays were placed second, third and fourth behind Romford Town here.
- **HMO prevalence in the PRS on a ward basis;**
 - Romford Town contain the largest portion of the boroughs HMO's at 16%.
 - Heaton was significantly over-represented containing 4.16% of the boroughs PRS, but 10% of its HMO's.
 - B+G+H contains a quarter of the borough's HMO's whilst only containing 19% of its PRS, this over-representation is key in considering which areas to target with a selective licensing scheme.

Other key points:

- Romford Town received more repair calls than any other ward. This includes both category 1 (15%) and category 2 (16%).
- Brooklands ranked second overall. It is not a densely populated ward because of .large industrial land usage however it ranks highly in other categories

- Brooklands contained 14% of all new housing benefit claims in the borough, more than any other ward.
- Heaton was average in terms of population density and the proportion of PRS activity but it does contain high levels of anti-social behaviour and HMO development.
- Heaton contained 7.91% of the PRS in the borough, whilst it had 10% of the HMO's, a significant over representation.
- Similarly, Gooshays show the same characteristics as Heaton plus a relatively high prevalence of Category 1 hazards and
- Gooshays contained 4.4% of the boroughs PRS, whilst it contained 10.75% of anti-social behaviour reports.

Across all evidence sources, it was clear that the statistical group of Brooklands, Gooshays and Heaton were representative of increased issues with PRS characteristics. Romford Town Centre is the most represented ward across most categories however proportionally in comparison B+G+H it is generally under-represented.

THE RECOMMENDATIONS

The Topic Group investigations had identified two possible solutions for the council to consider as future implementation recommendations for PRS regulation.

1. To introduce a Selective Licencing Scheme in the Wards of Brooklands, Gooshays and Heaton, subject to consultation
2. To introduce a Selective Licencing Scheme covering the rest of the borough or other specific identified wards subject to consultation and Secretary of State Approval

Justifications for Recommendation 1

Selective Licensing in Brooklands, Gooshays and Heaton

- **Strategic objectives**

Any designation of selective licensing must be consistent with a local authority's overall housing strategy. The Topic Group was provided with information on the Council's current Housing Strategy for 2013-2016 within which there was a Private Sector Housing sub-strategy. The agreed strategic priorities for the service were:

- Improve its understanding of the local PRS.
- Continue to improve access to the PRS to tackle increasing housing demand.
- Improve private rental property standards and management practices through a new advice and support service, and an updated package of training and accreditation for local landlords.
- Examine the potential of developing new, private rented accommodation.
- Help older and vulnerable people to remain safe and independent in their own homes.
- Identify and target poor conditions and inadequate energy efficiency in the private housing sector.
- Bring empty homes in the private sector back into use.

The Topic Group considered this recommendation to be cohesive under the Housing Strategy and would offer a co-ordinated method in dealing with the achievement of its strategic objectives.

• **Current public concerns & evidence supporting selective licensing**

Recent public concerns had been raised in Havering by community led campaigns and petitions that had been organised to challenge the development of shared homes, particularly in the areas of Harold Hill and surrounding wards of Brooklands, Gooshays and Heaton.

Perceived activities in certain areas stemming from the creation of HMOs in family homes have evoked strong reaction from local residents who feel their community and property conditions in their area is under threat.

The Council's recent creation of two Article 4 Directions was designed to provide stronger planning control over formation of new HMOs in the borough. Whilst any successful Article 4 can be expected to help improve conditions for HMO stock, other property types in the wider private rented stock are left unaddressed by this method of regulatory control. Much of the evidence presented in this report clearly outlined that there were issues outstanding with the PRS in Havering that are much wider than those issues associated with just the HMO stock. This was a contributing reason to why selective licensing has been deemed a more appropriate recommendation over an additional licensing proposal.

Selective Licensing would address noted concerns over property conditions of rented homes in Brooklands, Gooshays and Heaton. It would also ensure that *existing* property conditions in these areas are addressed through appropriate inspection and enforcement. Whilst Article 4 would tackle the development of new HMO conversions in relation to property conditions, selective licensing can be a complimentary regulatory tool that would tackle all PRS stock in these areas. This would ensure benefits to the whole community and local residents living in these areas.

Whilst additional licensing could be a regulatory tool to improve existing property conditions of HMOs in these areas, the fees associated with additional licensing could also act as deterrence to HMO development. The

Topic Group had considered the greatest risk with additional licensing is that landlords of HMO properties could look to sell to avoid long-term licensing fees and therefore ridding of HMO stock that are a valuable source of accommodation. Selective licensing creates an even playing field, ensuring that all landlords of rented properties in the designated area would need to pay a license fee regardless of its dwelling function.

- **Area selection, Brooklands, Gooshays and Heaton as a statistical group**

Introducing a Selective Licensing Scheme in Brooklands, Gooshays and Heaton Wards would achieve greater outcomes. By viewing the three recommended Wards as a statistical group, licensing introduction would effectively ensure:

- Coverage of a wider geographical area
- Coverage of more PRS properties
- That the 20% threshold for Secretary of State approval would not be exceeded

These wards had been identified as potentially benefitting from a selective licensing scheme. Romford Town was the most significant ward in virtually every category analysed. Romford Town contained 16% of the borough's total PRS, for the purposes of this report this was taken as a proportional target. Romford Town ought to receive 16% or higher in every category to be proportionally accurate, this would indicate an even spread of issues associated with the PRS. The Topic Group noted that proportionally Romford Town often received a score of less than 16%, whereas the statistical group B+G+H received a score of more than 19 % (its portion of the borough's total PRS). In addition, the nature of Romford being a town centre may have the ability to skew data results. For example, it could be expected that Romford may have higher levels of crime, noise and ASB due to higher population density, busier community and night time economy.

The table and chart below demonstrate this clearly; Romford Town often achieves less than 16% in individual categories when looked at comparatively with Brooklands, Gooshays and Heaton.

Ward	Demographic Characteristics of Havering's Housing Stock		Evidence of Crime in Havering				Environmental Crime in Havering				
	PRS Composition as a % of the ward dwellings (2011)	PRS Composition as a % of total borough wide dwellings in Havering (2011)	ASB	criminal damage	burglary	crime rate	Cat 1 Hazards	Cat 2 Hazards	noise	HMO prevalence	New HB claimants
Romford Town	23%	16%	16%	14%	9%	17%	15%	16%	13%	16%	14%
B+G+H	11%	19%	26%	27%	17%	19%	21%	23%	25%	25%	30%

Evidence therefore shows that as a statistical group, these areas had:

- The highest combined proportion of the PRS as a total of the overall borough composition (census 2011 data).

- Had the highest combined rates of ASB, 26% compared to Romford Town's 16% (albeit the incidence of ASB was spread over a wider geographical area).
 - The highest combined crime rates, which was higher than Romford Town.
 - Higher rates of Category 1 and 2 hazards within the statistical group than similar statistical groups elsewhere in the borough.
 - Higher rates of noise complaints within the statistical group in comparison to Romford Town.
 - More HMO prevalence across the statistical group, compared to Romford Town and
 - The statistical group has the highest combined rate of migration (indicated through new HB claimants) than elsewhere in the borough.
- **20% Consideration**

The geographical areas of the selected wards; Brooklands, Gooshays and Heaton made up 13.45% of the borough. The total private rented stock in the three wards account for 19% of the stock across the borough. This meant that Selective Licensing in the cluster would not exceed the 20% threshold for requiring Secretary of State approval. The Council could also establish a selective licensing scheme based on designated areas as opposed to borough wide or with the inclusion of more areas in a significantly shorter timescale.

Justifications for Recommendation 2

Selective Licensing borough wide subject to consultation and Secretary of State Approval

The Topic Group had considered that an option for future regulatory control was Selective Licensing applied over the whole borough. However, such applications had to be submitted to Secretary of State involving a lengthy process and likely to require further collection of PRS evidence.

Where the designation would cover more than 20% of the PRS or geographic area, the application must set out in detail the rationale for adopting a larger scale scheme. The application must also address Criterion A – low housing demand justifications, demonstrating how the area would benefit from selective licensing across the combination of criteria. In short, from local authorities who have undergone this process – the threshold level for supporting evidence was required to be more developed than the selection of designated areas under 20% of the PRS total stock.

The justification for this recommendation would be primarily gathered during a detailed consultation period. This period would occur prior to the application for approval for a borough wide selective licensing scheme. The consultation would provide invaluable data that would be used in applying for approval from the Secretary of State. The consultation would take the form of surveys and focus groups primarily with chief stake holders. The resulting research would provide the backbone of the application.

There were areas in the borough where characteristics in the PRS greatly differ between one another, for example the condition of rented homes in Emerson Park compared to those in Heaton or Gooshays.

The policy rationale set out for the 20% consent ruling set in March 2015 was set out by the minister's letter to local authorities.

It was therefore the Topic Group's recommendation that this be a significant and key consideration prior to the adoption of this recommendation.

FINANCIAL IMPLICATIONS OF KEY RECOMMENDATIONS

The Topic Group noted that it was essential that any local authority planning to start selective licensing ensures that it has adequate resources in place from the start. Without these, licensing teams may be obliged to focus on chasing better landlords first to obtain the funds to enforce licensing for bad landlords.

The introduction of mandatory licensing should mean that LAs would have some existing resources which can be re-used, such as licence forms, enforcement procedures, licence fee scales and administrative procedures. However, the extension of licensing in a designated area through these recommendations would certainly result in increased work for existing teams and would depend on additional resources being available.

Although selective licensing would be a substantial financial implication for the Council to bear initially, other local authorities who have undergone the same process have recognised any initial costs can be offset against the long-term drain of funding resulting from antisocial behaviour, low demand and dilapidated, insecure estates. The cost of bad housing and inadequate management was difficult to quantify but would be considerable in terms of homelessness applications, healthcare, reduced life opportunities, reduced property value, street crime, insurance costs, policing and a raft of measures.

The Topic Group noted that if the recommendations were agreed as suitable for Havering, the Council would need to develop a full detailed financial business model that would establish accurate figures on:

- The set up and operating costs and
- The charge to landlords for the licence fee.

Licence Fees to Landlords

As with the Mandatory HMO licensing regime, landlords must pay a charge for a licence issued under a selective or additional licensing scheme. Local

authorities can set the level of the fee – the intention is that the rate should be ‘transparent’ and should cover the actual cost of the scheme’s administration.

The explanatory memorandum to the Licensing and Management of Houses in Multiple Occupation and Other Houses (Miscellaneous Provisions) (England) Regulations 2006 states:

‘Once the schemes have been set up, they will be self- financing. (In other words) Running costs of licensing schemes including costs of further training and development and enforcement costs will be covered by licence fees. ‘

However, the Topic Group noted that there had been a recent development with case law concerning Licensing in Westminster. The Court of Appeal upheld a High Court decision that licensing fees can only cover the administration of licensing schemes (i.e. not enforcement). The implications of the decision are discussed in Local Government Lawyer (2013) “Local Authorities, Licensing Fees and the Hemming’s Case”. Therefore it must be considered the money used for any enforcement activity including investigating and prosecuting unlicensed operators would come out of the Council’s General Fund.

There was no cap for the fees which the local authority can charge for licensing but fees cannot be used to raise extra revenue for the authority. The Council could decide to run the scheme cost-neutral or be subsidised depending on the enforcement activity.

So, for clarity, the income that Havering receives from the fee charged to landlords to licence their property (under Selective Licencing Scheme) can only be used cover the cost of setting up and administering a licensing scheme. Income from fees cannot be used to investigate and prosecute unlicensed landlords at final stages of enforcement.

The calculation of the initial registration fee Havering could charge landlords would be based on two main influencing factors:

- The current fee Havering Council charges Landlords under the Mandatory Licencing Scheme is £129.30 per room.
- The fee charged by neighbouring local authorities and authorities across the south east region with similar demographics to Havering For example, Barking and Dagenham, Newham and Waltham Forest all show a selective licensing fee of £500. Brent was the only Council which charges less (£340) for a selective licensing landlord fee. See Pan-London Analysis for further information attached in the appendix. This research provides an outline of full comparative licencing fee

charges for all local authorities in London who had implemented additional and/or selective licensing schemes. When deciding the Council's own fee setting, fees could be benchmarked against other local authorities to ensure an element of fairness

- Research as detailed in appendices 1-2 show that the average licensing fee for London is £500 (rounded up from £460). Provisionally it could be expected Havering Council could charge a licensing fee around this figure. This figure has been used to project the costs that could be recovered from licensing fees charged to landlords.

	Cost recovery generated from £500 licensing fee
Recommendation 1 at 1930 properties	£965,000
Recommendation 2 at 10337 properties	£5,168,500

The final accuracy of these financial costs will be made as part of a full business model case for the recommendation that is taken forward.

The Topic Group noted that some of the future decisions and considerations for the Council to consider with regards to fee setting were:

- How fees would be charged, this method can differ. It could be based on the different property size or could be charged as one standard fee not dependant on property sizes
- The use of renewal fees that could be charged at the same level as the initial registration fee or at a reduced level.
- The use of any extra, additional fees to cover administrative costs to the Council incurred by;
 - License changes e.g. for changes to name of license holder or type.
 - Scheduled inspection dates that are missed by landlords.
 - Finder's fee for unlicensed or poor condition properties, in addition to formal legal repercussions that can be employed or as a 'pre-warning' to unlicensed landlords or those who are not meeting license conditions .
 - Charges for requiring help with submitting an application or charges for paper applications.
- Discounts could be offered as a way to incentivise landlords for different purposes, for example;

- Discounts for landlords with a lease or management agreement contract with the Council's Liberty Housing service
- Discounts for landlords who sign up to landlord accreditation schemes (a promotion of two-tier regulation) that would incentivise landlords to access appropriate training
- Discounts if applications are made correctly, in full and submitted within a set time limit
- Discounts for HMO new build properties to promote supply of PRS properties
- Discounts for portfolio landlords or setting of a maximum threshold fee

Operational costs of implementing selective licensing

The Topic Group had considered in broad principle the financial implications that could be expected through the operational costs of adopting each recommendation. They noted that these costs had been based on known PRS property statistics and estimations based on Housing Health & Safety Rating System (HHSRS) Administration and Inspections to determine staffing resources required to inspect the total number of PRS properties. Estimates had been calculated on:

- How long it could take to take for operation and inspection duties for the set number of properties.
- Staffing resources to operate the scheme within this time limit.
- Total estimated operational costs to run the scheme over this set time period duration.

It should be acknowledged these figures were estimations and a full detailed business case would be constructed should recommendations be taken forward.

Step in HHSRS:

The information provided below outlines staff resources in terms of the average time it takes to inspect properties according to HHSRS regulation stages.

1. Initial Client/Landlord Contact/Notice of Entry (1.5-2hrs). Phone contact client, letter & liaison with landlord, Notice of Entry.
2. Visit (2-4 hours). Inc travel time, influenced by size of property and how many rooms.
3. Assessment (1-3 hours). 2 hr. for basic assessment with 1 hazard, approximately 0.5hr per further hazard to be assessed fully.
4. General liaison/correspondence (0.5-3 hours). Very variable but often emails/discussions between tenant and landlord/agent.
5. Revisits (1-2 hours). Ensure hazards have been dealt with.

6. Enforcement Action (5 days but will be concurrent – would occur whilst officer works on other inspections). If hazards not dealt with then move to formal action. (note this is not included in the costs)

Total 'work hours' on one property was, therefore, on average between 9-13 hours of dedicated officer time. This was a broad guide where many properties may take an officer more or less in time duration.

Financial Cost Range in terms of staffing costs per HHSRS;

The costs of this work below are estimated on £55 per hour, industry standard figure for court cases per type of action taken.

1. (Lower Band Model) - Basic HHSRS (medium property, no Cat 1 Hazards identified, possibly Cat 2's found): £495
2. HHSRS (medium property, 1xCat1 Haz & 2xCat 2 Hazards): £605
3. (Upper Band Model) - HHSRS (medium property with 3 cat 1 hazards): £715

These costs had been used to form different financial models according to each recommendation made.

- Model 1 assumes that 10% of the properties would be based on the upper band £715 HHSRS figure so HHSRS inspections would find 10% medium properties with 3 category 1 hazards therefore taking a higher cost to resolve .
- Model 2 assumes that 20% of the properties would be based on the upper band figure, and 80% lower band figure.
- Model 3 assumes that 40% of the properties found upon inspection would entail upper band figure and 60% lower band figure.

Recommendation 1 - Selective Licencing in 3 wards - Financial implications⁷				
		year 1	year 2	year 3
Number of Properties		1930 ¹		
Activity	Detail of Activity			
Pre scheme consultation²	Costs to staff the consultation process	£40,000	x	x
	Consultancy costs to support the consultation process	£10,000	x	x
	Consultation publicity	£2,500	x	x
Start-up costs³	Staff costs leading up to implementation	1FTE PO4... £50,000 1 FTE APTC5 £24,027	1FTE PO4... £50,000 3 FTE APTC5... £72,081	1FTE PO4... £50,000 3 FTE APTC5... £72,081
	Promotion and publicity	£2,500	500	500
	IT and processes	£3,000	1000	1000
Administering & Operation	cost per year	model 1 (90% lower band, 10% upper band) ⁴		
		40% of the properties... £399,124	40% of the properties... £399,124	20% of the properties... £199,562
Total Cost estimation		£531,151.00	£522,705.00	£323,143.00
£1,376,999				
Administering & Operation	cost per year	model 2 (80% lower band, 20% upper band) ⁵		
		40% of the properties... £416,108	40% of the properties... £416,108	20% of the properties... £208,054
Total Cost estimation		£548,135.00	£539,689.00	£331,635.00
£1,419,459				
Administering & Operation	cost per year	model 3 (60% lower band, 40% upper band) ⁶		
		40% of the properties... £450,076	40% of the properties... £450,076	20% of the properties... £225,038
Total Cost estimation		£582,103.00	£573,657.00	£348,619.00
£1,504,379				

Notes:

- 1) The figure 1930 was sourced from (<http://data.london.gov.uk/census>) it represents the sum of private rented accommodation in Brooklands, Heaton and Gooshays in 2011. It has been selected as this model seems the most appropriate to begin with. The total PRS figure in

Havering was around 10000, this means the 1930 figure represented selective licensing for 19% of the PRS of havering, and costs are given for this amount.

- 2) **Pre-scheme consultation.** Before the scheme was implemented it was envisioned that a consultant would be brought on board to handle the organisation of the project in its infancy. The project would need to be outsourced initially to gather information concerning the scope and the stakeholders of the scheme. The consultation process should not last longer than 4 months by which time a project manager would be hired to initiate the project. Costs at this stage would be low, the consultation and the publicity of this phase is estimated to £12,500 collectively.
- 3) **Start-up costs.** Following the consultation there would be a full time senior project officer and a full time support role filled in order to initiate the project. These officers would supervise the establishment of the project and then run the on-going project until completion. The costs at this stage would be associated with funding purchase of the appropriate hardware and software to successfully run the project, and publicising the licensing scheme in the appropriate areas.
- 4) The three models supplied assume that the cost of fully processing one of the 1930 properties would be either £495 or £715. These were extreme bands provided by the Public Protection team as estimates on how much the process would cost. Band 1 was the lower cost at £495, band 2 was £715. Model 1 demonstrated a three year assessment that assumes 90% of the properties would cost £495, 10% would cost £715. In terms of the yearly breakdown it was assumed that 40% of properties would be processed in years 1 and 2, the remaining 20% in year 3.
- 5) Model 2 assumed that 80% were of the higher band and that 20% were of the lower band. The yearly breakdown was the same as model 1.
- 6) Model 3 assumed that 60% are of the higher band and that 40% were of the lower band. The yearly breakdown was the same as model 1.
- 7) This assessment does not suppose the number of staff required to carry out the inspections in a three year period. The total number of officers required to theoretically complete all 1930 inspections in a year was 13, this could be split in any way favoured, if split over three years 3/4 officers a year are required

Cabinet 23 September 2015

Officer Resources

PRS	1930	total hours per officer	1638
Average hours per property for processing	11	Officers required	13
how many hours to process all (compiled)	21230		

- 8) The table demonstrated an estimated number of inspection / enforcement officers required to conduct 1930 inspections in one year. It was estimated that 13 officers would suffice, this was based on an average of 11 hours to process each property

Recommendation 2 - Selective Licencing in all areas of the borough				
		year 1	year 2	year 3
Number of Properties		10337		
Activity	Detail of Activity			
Pre scheme consultation	Costs to staff the consultation process	£214,400	x	x
	Consultancy costs to support the consultation process	£53,600	x	x
	Consultation publicity	£13,400	x	x
Start-up costs	Staff costs leading up to implementation	5FTE PO4... £250,000 5 FTE APTC £120,135	5FTE PO4... £250,000 15 FTE SPC6... £360,405	5FTE PO4... £250,000 15 FTE SPC6... £360,405
	Promotion and publicity	£12,500	£2,500	£2,500
	IT and processes	£15,000	£5,000	£5,000
Administering & Operation	cost per year	MODEL 1 (90% LOWER BAND, 10% UPPER BAND)		
		40% of the properties... £2,317,691	40% of the properties... £2,317,691	20% of the properties... £1,068,845
		£2,996,726.00	£2,935,596.00	£1,686,750.00
Total Cost estimation		£7,619,072		
Administering & Operation	cost per year	MODEL 2 (80% LOWER BAND, 20% UPPER BAND)		
		40% of the properties... £2,228,657.20	40% of the properties... £2,228,657.20	20% of the properties... £1,114,328.60
		£3,087,691.60	£3,026,561.60	£1,732,232.80
Total Cost estimation		£7,846,486		
Administration & Operation	cost per year	MODEL 3 (60% LOWER BAND, 40% UPPER BAND)		
		40% of the properties... £2,410,588.40	40% of the properties... £2,410,588.40	20% of the properties... £1,205,294.20
		£3,269,622.80	£3,208,492.80	£1,823,198.40
Total Cost estimation		£8,301,314		

Explanatory Notes:

1. This table used figures of the total PRS stock in Havering to calculate rough estimated costs it would take to process licenses and inspect all properties within each area, over the same 3 year time period duration. This was likely to extend over a longer duration however as expected, to implement a borough wide selective licensing scheme would be significantly higher than projections made for recommendation 1.

REASONS AND OPTIONS

Reasons for the Decision

Under the Local Government and Public Involvement in Health Act 2007, s. 122, Cabinet is required to consider and respond to a report of an Overview and Scrutiny Committee within two months of its agreement by that Committee or at the earliest available opportunity. In this case, Cabinet is required to do this at its meeting on 30 July 2014. Cabinet is also required to give reasons for its decisions in relating to the report, particularly in instances where it decides not to adopt one or more of the recommendations contained within the report.

Alternative Options Considered

There are no alternative options.

IMPLICATIONS AND RISKS

Financial Implications and Risks:

To ensure that no financial burden is placed on the council, it would be important to ensure that any licensing arrangements are self financing.

Recommendations 2 and 5 may have the effect of improving the use that specific pieces of land are put to.

Legal Implications and Risks:

There are no apparent legal implications in noting the Report and following the recommendations of the Topic Group.

Human Resources Implications and Risks:

There are no specific Human Resources implications.

Equalities and Social Inclusion Implications and Risks:

This report sets out the recommendations made by the Estate Management Topic Group to the Towns and Communities Overview and Scrutiny Committee following the completion of a scrutiny review into estate management.

Cabinet 23 September 2015

If the recommendations are adopted by the Council, there are no negative equality or social inclusion implications or risks. Recommendation 3 will have a positive impact for disabled residents, as well as families who use prams for babies and young children. This is because it will improve access to communal areas.

The Council will need to have due regard to the Public Sector Equality Duty if any of the recommendations outlined in the report are adopted.

BACKGROUND PAPERS

None