

Report of:	Executive Member for Regeneration Director for Adult Social Care and Health Integration
Submitted to:	Executive
Date:	18 October 2022
Title:	Consultation on the Proposal to Designation the Newport 2 Area for a Selective Landlord Licensing Scheme
Report for:	Decision
Status:	Public
Strategic priority:	Physical environment
Key decision:	No
Why:	Not applicable
Urgent:	No
Why:	Not applicable

Executive summary

Local authorities have powers to introduce Selective Landlord Licensing (SLL) schemes over a five year period in areas with a high number of private rented properties, low housing demand, poor housing conditions, high levels of deprivation, crime and migration and/or significant and persistent anti-social behaviour associated with the tenants of private rented properties. The purpose of such a scheme is to improve standards of property management in the private rented sector, and when combined with other measures, this should lead to improved physical, social and economic conditions.

Two SLL schemes currently operate in Middlesbrough; one in North Ormesby and the second in a selected area of the Newport ward (known as the Newport 1 scheme.) Newport ward continues to experiences major challenges. A proposal document has been drawn up (Appendix A) which presents the evidence to show that the remaining area of the Newport ward (known as the Newport 2 scheme) meets the legal criteria to be designated a SLL area.

Secretary of State approval is not required for SLL schemes which cover 20% or less of its geographical area or privately rented properties, provided that the authority has

consulted for at least 10 weeks on the proposed designation. The schemes in Middlesbrough do not meet the threshold for Secretary of State approval. Executive approval is being sought for a period of consultation to be undertaken on the Proposal documents for a Selective Landlord Licensing Scheme in the Newport 2 area.

Executive approval is required as this scheme is delivered via a legislative framework that requires organisational approval to start formal consultation on the Proposal for the Newport 2 scheme prior to implementation.

Purpose

1. To seek approval for consultation on the proposal to designate the Newport 2 area as a Selective Landlord Licensing scheme and the proposed licence fee of £760. The proposal document for this designation is shown at Appendix A.

Background and relevant information

2. The Housing Act 2004, gives local authorities powers to introduce Selective Landlord Licensing (over a five year period) for privately rented properties in areas experiencing low housing demand and/or significant and persistent anti-social behaviour. The purpose of such a scheme is to improve standards of property management in the private rented sector, and when combined with other measures, should lead to improved physical, social and economic conditions.
3. Under the Housing Act 2004, Part 3 (Selective Licensing of other Residential Accommodation), all private landlords operating within the designated area are required to obtain a licence from the Council for each rented property. The conditions of the licence ensure that the property is managed effectively, and licence holders have to demonstrate their compliance.

Existing designated SLL areas in Middlesbrough

4. On the 9th December 2014 Executive approved proposals for introducing Selective Landlord Licensing in Middlesbrough and a further report to Executive on 14th July 2015 saw the implementation of the scheme in North Ormesby which commenced on 1st January 2016. Executive approval was granted for the introduction of part of Newport ward on 13th June 2019 (Newport 1) and the re-designation of North Ormesby ward was granted on 14th June 2021.
5. Both North Ormesby and Newport 1 areas were designated as a Selective Landlord Licensing areas as they have a high proportion of private rented properties and are suffering problems attributable to:
 - a) Low housing demand
 - b) A significant and persistent problem caused by anti-social behaviour related to tenants of or visitors to rented properties which were not being controlled by landlords;
6. In 2015 the criteria for designating Selective licensing schemes were widened to include poor housing conditions and high levels of deprivation, crime and migration. The

improvement of management standards in the private rented sector will help to combat housing problems associated with deprivation.

7. The intended outcomes for all SLL schemes are to achieve:
 - A reduction in the number of empty properties and low demand which will lead to improvements in the social and economic conditions of the sector, which are identifiable.
 - A reduction in anti-social behaviour (caused by tenants in the private sector) in the designated area.
 - A general improvement of property conditions in the designated area within the lifetime of the designation.

8. The performance of each SLL scheme is closely monitored. During the fourth year of the first North Ormesby scheme an evaluation was undertaken to support the proposal for a second scheme. This identified the following positive outcomes for the North Ormesby Selective Landlord Licensing scheme :
 - reducing anti-social behaviour attributable to the private rented sector;
 - improving management standards in the private rented sector;
 - increasing housing demand;
 - improving the environment; and
 - contributing to the effectiveness of partnership working to improve the quality of life.

9. The main findings of the North Ormesby Evaluation Report are summarised below:
 - House prices in the area started to increase. In 2016 the average house price plummeted to £36,000 and has since increased by 17% to £42,000.
 - The turnover of tenants reduced by 50% resulting in a more static population.
 - Whilst the overall number of empty properties fluctuated throughout the life of the scheme, there was a considerable reduction in the number of long term empty properties, often the more problematic for residents.
 - The number of inspections of private rented properties increased and housing conditions improved.
 - Anti-social behaviour was tackled through a wide range of interventions by the SLL team;
 - 1249 early interventions. These are mainly referrals into other services for support
 - 2495 low Interventions. These include telephone call/e-mail, letter drop, diary sheets received, initial warning letters, motorbike warning letter, site meetings and joint patrols.
 - 955 medium interventions. These include second warning letters, final warnings, ABC issued, ABC breached, joint interviews and tenancy breach interviews.
 - 15 high level interventions. These include Criminal Behaviour Orders, Civil Injunction, House Closures (all for high levels of persistent antisocial behaviour and a last resort after all low and medium level interventions have been exhausted).
 - A 49% reduction in personal antisocial behaviour incidents
 - An 11% reduction in nuisance antisocial behaviour incidents.
 - 154 post tenancy visits were carried out to provide support to the tenant on a wide range of issues including substance misuse, parenting skills, employment;

- The number of environmental antisocial behaviour incidents remained high, however there was a reduction in the number of incidents with rubbish bins/refuse left in alleyways and reports to the contact centre.
 - A wide range of support was provided for landlords including :
 - Dedicated Neighbourhood Safety Officer;
 - Dedicated Tenancy Relations Officer;
 - Housing and tenancy support/advice;
 - Rent recovery in excess of £5,000;
 - Referencing;
 - Post tenancy visits for new and existing tenancies.
10. Most landlords in the North Ormesby Scheme have been compliant with licensing their properties. Eight landlords applied for their licences after receiving their court summons. Legal proceedings have been taken against 4 landlords. The Evaluation Report recognised that the Selective Landlord Licensing scheme had made a major contribution to the achievements in North Ormesby working together with key partners.
11. It is too early for a full evaluation of the Newport 1 scheme to be carried out, however initial interim outcomes are summarised below:
- House prices in the designated area have started to increase slightly with the overall average price of £48,585 (89 sales) in 2019 and the overall average price of £49,903K (115 sales) in 2021.
 - 301 private rented properties have been inspected and housing conditions have improved. 167 serious housing hazards were identified (category 1 & 2) in properties and have been addressed to protect tenants. 50 properties were safe without any Cat1 & Cat 2 Hazards. Smoke alarms checks have been carried out on all housing inspections to ensure they are provided in properties.
 - 410 reports received on environmental antisocial behaviour incidents with rubbish bins/refuse left in alleyways.
 - 69 post tenancy visits have been carried out to provide support to the tenant on a wide range of issues including substance misuse, parenting skills, unemployment;
 - The scheme in Newport continues to support landlords as demonstrated in the North Ormesby Scheme.
 - Anti-social behaviour has been tackled through a wide range of interventions:
 - 3610 low Interventions. These include telephone call/e-mail, letter drop, diary sheets received, site meetings, joint patrols and referrals into other services for support
 - 43 medium interventions. These include warning letters, final warnings, ABC issued, ABC breached, joint interviews and tenancy breach interviews.
 - 79 high level interventions. These include Criminal Behaviour Orders, Civil Injunction, House Closures (all for high levels of persistent antisocial behaviour and a last resort after all low and medium level interventions have been exhausted).
 - There has been a 64% reduction in personal & nuisance antisocial behaviour incidents.
 - Joint working with Cleveland Police has resulted in 10 Closure Orders for residential premises and an increase in the execution of drug warrants across the ward. We have also worked with landlords to serve section 8 & 21 notices for the eviction of tenants.
 - A resident's survey completed in November 2021 showed an increase in the percentage of residents who said they felt fairly or very safe in the ward. The figure for residents who felt fairly or very safe during the day rose from 35.48% in March

2021 to 68.65% in November 2021. Those who said they felt fairly or very safe on an evening rose from 12.9% in March 2021 to 48.98% in November 2021.

12. The progress of the Newport 1 scheme is promising and demonstrate that the approach is having a positive impact. However, there is further work to be done and SLL, working together with other agencies through the Locality Working approach, can achieve greater improvements.
13. The Culture and Communities Scrutiny Panel reviewed the first North Ormesby scheme in 2018. The Panel were extremely supportive of the scheme. Throughout the process, the Panel made reference to the issues within Gresham and University wards and the increasing number of private rented housing properties and hoped that any future schemes would mirror the North Ormesby model.

The Proposed Newport 2 SLL scheme.

14. The proposed Newport 2 scheme aims to address:
 - The problems associated with low demand for housing by imposing conditions relating to the management of properties.
 - The problems associated with anti-social behaviour by including conditions in licences which required landlords to take action to deal with such behaviour, such as tenancy referencing to ensure that properties are not let to persons with a known record of anti-social behaviour and relating to the use of the property.
 - The poor housing standards in the private rented sector by incorporating housing inspections and enforcement action as a requirement of the scheme, as well as ensuring that the properties are properly managed to prevent further deterioration.
15. The proposal document for the designation of the Newport 2 SLL scheme (Appendix 1) provides the information and evidence to demonstrate how the proposed area meets the legal criteria for designation and this is summarised below:

High level of deprivation

16. The Index of Multiple Deprivation (IMD) is used to provide a set of relative measures of deprivation (ranks) for small geographical areas (Lower-layer Super Output Areas (LSOA)). All seven LSOAs in Newport ward are within the most deprived 10% in England. Three LSOAs in Newport have seen an improvement in their ranking since IMD 2015, whilst the remaining four have worsened. Newport is the 26th most deprived ward nationally at IMD 2019 and is ranked as the fourth most deprived ward in Middlesbrough.

Low Housing demand

17. 40.7% of households in Newport are 'private landlord or letting agency accommodation', compared with 15.1% for Middlesbrough as a whole, 23.7% for North East Region and 13.6% for the whole of England. In June 2022 there were 199 properties which had been empty for greater than 6 months in Newport, which is 3.7% of the Newport housing stock. There were 323 empty properties in total which is 5.9% of the ward's stock. Newport is the second highest ward in Middlesbrough behind North Ormesby and just ahead of Brambles & Thorntree and Central.

18. Long term empty properties in Newport account for 30.8% of the total long term empty properties in Middlesbrough, and the total empty properties in Newport account for 18% of the total number of empty properties in all of Middlesbrough.
19. The property values in Newport are lower than the Middlesbrough average and there is a high turnover of properties.
20. Poor housing conditions including disrepair. Middlesbrough's Private Sector Stock Condition Survey (PSSCS) 2008 identified Newport as having the second highest proportion of non-decent dwellings in Middlesbrough at 49.3%. Non-decent homes do not meet current statutory minimum standards, are not in a reasonable state of repair, do not have reasonably modern facilities and fail to provide a reasonable degree of thermal comfort.

Crime

21. During the period 1st February 2018 to 31st January 2020, Newport ward had the second highest rate of Anti-Social Behaviour (ASB), racially motivated crime and other crime in Middlesbrough. During this period there were 2,499 ASB reports, 123 racially motivated crimes, 311 fires and a total of 5,906 crime reports.

Antisocial Behaviour

22. There were a total of 1334 complaints of anti-social behaviour received by the Council's Public Protection and Community Safety teams in 2018. There had been a slight decrease in 2019, followed by a sizable increase in 2020 and 2021. For 2021 the total number of complaints received were 28.6% higher than the reported levels in 2018.
23. The Newport 2 ward area will include 2,617 properties. The geographical area for the proposed scheme is shown in Appendix 1 of the Proposal document.

Proposed licence fee

24. The calculation of the costs for delivering Newport 2 SLL scheme is consistent with both current SLL schemes (with an inflationary rise) and taking into account the expected number of properties which will require a licence. This proposed fee enables the scheme to be self-financing, it is calculated on the staffing requirements for the administration and regulation of the selective landlord licensing scheme.
25. It is proposed that the licence fee for the Newport 2 scheme should be £760 & £20 Fit & Proper person fee for a 5 year licence, penalty fees of £100 would continue to apply for late applications.

What decision(s) are being recommended?

26. That the Executive approve the Proposal document on the Newport 2 Selective Landlord Licensing Scheme and the proposed fee of £760 to cover the cost of delivering the scheme and that a period of consultation is undertaken relating to the designation of the scheme.
27. The results of the consultation will be presented back to Executive for consideration prior to implementation.

Rationale for the recommended decision(s)

28. The SLL schemes in both North Ormesby and Newport 1 area have resulted in improvements in the living and environmental conditions for those living in the area and contributed to reductions in antisocial behaviour. The designation of the remaining area of the Newport ward for Selective Landlord Licensing scheme would continue to ensure that property standards are maintained, anti-social behaviour issues related to tenants are reduced and managed and that landlords are held accountable for the costs of both licensing and the property management improvements. The existing SLL designations are self-financing and, in line with the recommended changes to the scheme, the new designation would work in the same way.
29. The designation will require all privately rented properties within the identified boundaries, subject to statutory exemptions, to apply to be licensed for up to five years and comply with the licence conditions.
30. The proposed fee of £760 enables the Council to ensure the scheme is self-financing, it is calculated on the staffing requirements for the administration and regulation of the selective landlord licensing scheme.
31. The boundary for the SLL scheme is to ensure complete coverage of the area in relation to improved housing standards, environmental conditions and reduction in crime and anti-social behaviour.
32. Prior to designating an area, the Council is required to undertake a minimum 10 week statutory consultation with local people, businesses, landlords and partners.

Other potential decision(s) and why these have not been recommended

Do not designate and continue with the existing arrangements

33. Carry on with the existing arrangement using the current resources available without a dedicated Selective licensing team. This would mean utilising the current staffing and regulatory roles and managing the area through the existing arrangements. Without a dedicated SLL team we would not have the legal controls to hold landlords accountable for their tenant and property management, there would be no staffing resource to carry out mandatory tenancy referencing, pro-active housing standards inspections, or to respond to the antisocial behaviour. This will continue to have an in balance and difference in the approach between the two areas of the Newport ward.

Do not designate the area and carry out alternative interventions.

34. Alternatives to Selective Licensing were considered for other wards prior to the designation of the North Ormesby and Newport Selective Licensing areas. These included voluntary registration and the use of traditional enforcement tools. These would require significant additional investment by the Council to achieve any sustainable change across the area.
35. Alternative interventions would still require a need to ensure that that proactive assessment of properties and an increased focus on renting and management practices is sustained. While selective landlord licensing is not intended to be indefinite, a shift to

an alternative non-regulatory approach or only relying on traditional reactive enforcement tools is not considered appropriate to sustain or progress the improvements achieved.

36. Traditional interventions do not provide the level of engagement with landlords necessary for the desired improvements. Landlord take up of previous accreditation schemes have been very low, they tended to only engage with responsible landlords who saw a value in being part of a scheme. An example of a non-mandatory scheme is the Stockton Pluss model which is run by landlords. Stockton Council figures show that they had 80 members for this scheme with 539 properties and not all landlords who opposed their SLL scheme joined the accredited scheme.
37. Short term proactive enforcement projects can have an impact but are not sustainable without significant investment from existing revenue budgets or grant funding.
38. It is proposed that the recommended action is the most appropriate course to ensure a sustainable and cost effective solution to improving management standards in the private rented sector in the designated Newport 2 area and that a formal consultation is commenced.

Impact(s) of the recommended decision(s)

39. The recommended decision is to commence a period of consultation with local landlords, the residents and partner agencies on the proposal to implement a SLL scheme in Newport 2 area. This consultation will be used to inform a final recommendation to be made to Executive on whether to designate the Selective Landlord Licensing scheme in the Newport 2 area. The impact of such a scheme will be determined through this consultation and detailed in the Executive Report.

Legal

40. Part 3 of the Housing Act 2004 sets out the scheme for licensing private rented properties in a local housing authority area. Under the Act a local housing authority can designate the whole or any part or parts of its area as subject to selective licensing. Where a selective licensing designation is made it applies to privately rented property in the area.
41. A SLL designation may be made if the area to which it relates satisfies one or more of the conditions listed. The local housing authority may only make a designation if the area has a high proportion of property in the private rented sector. Nationally the private rented sector currently makes up 19% of the total housing stock in England.
42. Before making a designation, a consultation is required and full consideration should be given to any representations made during the process. Where the criteria are satisfied and a selective licensing scheme is made, a designation may be made for up to 5 years. The designation cannot come into force until 3 months after it is made. A notice of the designation has to be published within seven days of the designation being confirmed. All those consulted on the proposed designation should be notified within two weeks of the designation being confirmed.

Strategic priorities and risks

43. Approval for designations must be sought from the Secretary of State for Communities and Local Government if more than 20% of the private rented housing or 20% of the geographical area of the local authority are will be subject to licensing, The area proposed, along with the recent designations for the Newport and North Ormesby SLL areas do not cover more than 20% of the geographical area of the borough. This means that the Council does not require Secretary of State Approval to make the designation proposed in this report.
44. If the SLL scheme is not approved for designation there is a risk that this will have an adverse effect on the Newport 1 area already designated for Selective Landlord Licensing.
45. There is a risk of a shortfall in recovering the costs of the scheme if the scheme does not receive applications and fees from the anticipated number of licensable premises. This risk is mitigated by the preparatory work the Selective Licensing team has already undertaken to map properties and landlords and their experience in regulatory action where there is a failure to licence.
46. There is a risk of legal challenge in the form of a judicial review against the decision to introduce or renew a Selective Landlord Licensing scheme. However the risk of such a challenge will be less where the Authority ensures that the legislation is complied with. A judicial review of the Newport 1 scheme was launched in August 2019 where one landlord made an application to the High Court. This application was declined referral for a full review on the basis that all five grounds submitted were not sufficient.

Human Rights, Equality and Data Protection

47. There will be no negative, differential impact on diverse groups and communities associated with this report. It has been demonstrated that the Selective Landlord Licensing scheme provides significant benefit to vulnerable groups by improving living standards and providing support in improving health, education and financial management.

Financial

48. The SLL scheme is self-financing with all relevant costs recovered through the payment of a fee by landlords to obtain their licence. The Council does not subsidise the scheme. Any additional costs are recovered by fee increases whilst savings are passed back. A guideline licence fee of £760 per property will allow the scheme to be delivered within the existing financial envelope. This fee will be subject to consultation and detailed financial consequences of the designated scheme will be detailed in the final report to Executive.
49. Based on the costs of the previous consultation processes for Selective Licensing designations, it is expected that the consultation process will cost approximately £8,500. The costs will be managed within the existing Public Protection revenue budget as they cannot be recovered through the licence fee.

Actions to be taken to implement the recommended decision(s)

Action	Responsible Officer	Deadline
Statutory 10 week consultation prior to an Executive decision on whether to designate the remainder of Newport ward for Selective Licensing.	Judith Hedgley/Louise Kelly	Within 4 weeks of Executive decision.
Following the consultation, a further report will be brought to a further Executive meeting, with the outcome of the consultation and final recommendations for the next steps including any adjustments that have been considered following any representations and whether the area should be designated.	Judith Hedgley/Louise Kelly	December/January 2022
Following this the full outcome would be published. In accordance with legal requirements the respondents to the consultation would be individually notified of the outcome in addition to being publicised through newspapers, the Council's web site and press releases.	Judith Hedgley/Louise Kelly	December/January 2022
Should a decision be taken to designate the Selective Licensing area, designation would be within 3 months from the date of the Executive meeting.	Judith Hedgley/Louise Kelly	April 2023 scheme start date

Appendices

1	Appendix A. Newport Proposal document
2	Appendix 1. Map of designated area and wider consultation area
3	Appendix 2. Fit & Proper Test

4	Appendix 3. Licence Conditions
5	Appendix 4. Exemptions
6	Appendix 5. Fee Structure
7	Appendix 6. North Ormesby Evaluation

Background papers

Body	Report title	Date
MHCLG	Selective Licensing in the Private Rented Sector. A Guide for Local Authorities.	March 2015
MBC	Newport Proposal document for Selective Landlord Licensing Scheme.	July 2021

Contact: Judith Hedgley Head of Public Protection. Louise Kelly, SLL Manager.
Email: Judith_hedgley@middlesbrough.gov.uk, louise_kelly@middlesbrough.gov.uk