

Report to OVERVIEW AND SCRUTINY BOARD

Selective Licensing of Private Landlords

Portfolio Holder:

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Purpose of the Report

To provide an update on progress of phase 1 of the Selective Licensing Scheme, which commenced in specific neighbourhoods of the Borough on 4 July 2022, and to outline the statutory consultation timescales and process prior to consideration of Phase 2 of the scheme.

Recommendations

To note the update on the delivery of phase 1 and to provide any recommendations to officers regarding the proposed timescale for Phase 2 consultation.

Selective Licensing

1 Background

- 1.1 Selective Licensing is a tool provided by Part 3 of the Housing Act 2004. The Council has, in the past, implemented a Selective Licensing scheme which operated in certain areas of the Borough from 2015 until 2020.
- 1.2 The purpose of a scheme is that the implementation, combined with other measures being delivered by partners, will lead to a reduction in, or elimination of, the blight of low housing demand, and therefore, lead to improvements to the social and economic conditions of the sector within certain neighbourhoods.
- 1.3 The six indicators which are assessed to determine if an area is in low housing demand are specified in the Housing Act 2004 and are:
- The turnover of occupiers of residential premises (in both rented and owner-occupied properties);
 - The number of residential premises which are available to buy or rent;
 - The length of time for which residential properties remain unoccupied;
 - The general appearance of the locality and the number of boarded up shops and properties.
 - The value of residential premises in the area, in comparison to the value of similar premises in other areas which the authority considers to be comparable (whether in terms of type of housing, local amenities, availability of transport).
 - Rental Yield is also considered. Rental yield is a **measure of how much cash an income generating asset produces each year as a percentage of that asset's value.** The yield is calculated by working out the annual rent for a dwelling divided by the average value for a property.
- 1.4 A Selective Licensing Scheme can only be in operation for a maximum 5-year period.
- 1.5 To examine the outcomes of the scheme implemented between 2015 –2020, and to examine whether the scheme needed to be renewed, an independent review of the low housing demand indicators was undertaken. The indicators were collated and analysed at ward level and at Lower Super Output Level (LSOAs). It is important to collate and analyse at LSOA level as this provides information for a smaller geographical area than at ward level. It would not be accurate to state a ward has low housing demand when the statistics relating to low demand relate to one or two smaller geographical areas (LSOAs) within the whole Ward.
- 1.6 The outcome of the independent review was that, when measured against the factors that indicate low housing demand, of the 16 LSOAs contained within the 2015 - 2020 Selective Licensing Scheme, 2 areas had deteriorated, 6 areas had shown improvement and 8 areas had stayed the same. Further areas were also identified as exhibiting indicators of low housing demand. In total, this independent review highlighted 21 areas as showing low housing demand.
- 1.7 Following the review, a robust consultation was carried out. A report was provided to Cabinet in March 2022. This report detailed the review and consultation outcomes and the available options to intervene in the areas identified. One of the intervention options was the designation of a new Selective Licensing scheme

1.8 Cabinet approved a Phase 1 and Phase 2 Selective Licensing approach. Phase 1 was to implement a Selective Licensing scheme commencing on the 4 July 2022 in the recommended locations. The Phase 2 element of the decision was to carry out another statutory consultation to identify further locations, which were exhibiting low housing demand. It was agreed that this would take place once delivery of Phase 1 had commenced.

1.9 Phase 1 came into operation on 4 July 2022.

2 **Current Position**

2.1 Phase 1 has been in operation since 4 July 2022. Phase 1 consists of 5 designated areas within the wards of Medlock Vale, St Marys, Werneth, Waterhead, Alexandra, Chadderton South and Hollinwood. It affects approximately 1,800 private rented properties.

2.2 A team of 4 Officers (2 X Housing Technical Officers and 2 X Selective Licensing Support Officers) has been recruited and is actively delivering Phase 1 of the scheme.

The scheme, as it was approved, is being delivered by:

- Intelligence gathering to identify all private rented properties within the designated areas
- Ensuring complete applications are received and processed
- Issuing the licence when the applications and supporting documents have been verified
- Licensed properties are inspected to ensure landlords (licence holders) are complying with the relevant management and property standards
- Referrals are made to the Neighbourhood Environmental Health team where significant defects are identified, or landlords have failed to remedy specified defects
- Exploring the use of civil penalties should landlords fail to licence or comply with licence conditions
- Ongoing relationship building with landlords/managing agents
- Continuing to work with the Councils internal and external partners

2.3 Pre-booked appointments are available for landlords to contact the team for assistance in completing the licence application and for any other general advice.

2.4 An online application and payment system has been sourced, procured and in operation. The system enables applicants to:

- Complete an application
- Upload safety documents
- Pay the relevant licence fees
- Check the status of their application
- Update details and upload new safety documents

The online system enables officers to:

- Process applications
- Create licensing documents
- Review documents submitted
- Carry out a condition audit
- Monitor, review and report the status of individual properties and the whole scheme

2.5 A Selective Licensing web page, link below, has been developed. This provides:

- Guidance, including documents needed, fee levels and safety advice
- Access to the online application
- Access to the public register of licences
- A mapping tool to identify if a property requires to be licensed
- Contact details for the team
- Documents and information on why selective licensing is being used as an intervention tool in certain areas

https://www.oldham.gov.uk/info/201198/help_for_landlords/1450/selective_licensing_of_private_landlords

2.6 A mobile condition audit software system has been procured, tested and is in use. This enables Officers to audit licensed properties efficiently, consistently and effectively. The purpose of the audit is to ensure the licence conditions are being complied with. It is intended that every licensed property will receive an audit. Due to the success of the mobile solution, it is likely this will be rolled out to all officers who carry out housing inspections.

2.7 Officers also cross reference previous intelligence and current databases to determine which landlords have not applied for a licence. A landlord who has failed to licence receives one warning letter. Warning letters are being sent on a phased approach.

2.8 Landlords who fail to apply for a licence following a warning letter will receive the Councils intention to issue a civil penalty. A civil penalty can lead to a maximum fine of £30,000. The process of issuing a civil penalty is in place.

2.9 The table below provides the current status of the scheme:

Number of applications	582
Number of Draft Licences issued	424
Number of Final Licences issued	407
Licence Fees received - Part 1 Application Fees	£196,778
Licence Fees received - Part 2 Monitoring Fees	£95,213
Number of Warning Letters sent	193
Number of Condition Audits	220
Number of referrals to Env Health for Formal Action	23
Number of Civil Penalties for failure to Licence/breaches of Licence conditions	0

3. Phase 2 statutory consultation timescales

3.1 Officers have been successful in attracting £75,000 through the 'Greater Manchester Combined Authority Good Landlord Scheme' for development of the data analysis and statutory consultation required as part of the Phase 2 scheme. The funding enables a review of the areas identified as exhibiting low housing demand that will make up a Phase 2 proposal and the delivery of a robust consultation exercise.

3.2 The outcome of the review and consultation for Phase 2 may be the designation of additional selective licensing areas. If this is the case, it is likely that the combination of the designated areas in Phase 1 and 2 would add up to approximately 40% of the total private rented sector of the borough being in a selectively licensed area.

- 3.3 Previously, central government approval via the Secretary of State would be required to implement a scheme of this size. However, this approval function has now been devolved to the Council, and has to be taken in consultation with the Greater Manchester Combined Authority and the Mayor of Greater Manchester.
- 3.4 Subject to the review, consultation and decision from Cabinet, if the total designated area is more than 20% of the private rented stock in Oldham, the Council is likely to be the first to go through the consultation process with the GM Mayor for the introduction of a scheme of this size in Greater Manchester.
- 3.5 The proposed timescales for phase 2 are set out below.

PROCESS	TIMESCALE
GMCA funding received	February 2024
Procurement of consultant to carry out review and consultation.	February 2024
<p>Consultant process:</p> <ul style="list-style-type: none"> • Updating evidence base • Development of consultation document • Design and organise consultation process <ul style="list-style-type: none"> • Mailshot/local distribution • Analysis of responses and production of final report <p>(25 weeks to complete to include the statutory 10 weeks minimum)</p>	<p>Commence March 2024</p> <p>Commence May 2024</p> <p>Completion by end August 2024</p>
Review of report and production of Cabinet report	September 2024
GM Mayor's consultation	September 2024
Cabinet decision	November 2024
If decision to implement phase 2 Selective Licensing, this requires publication over a further 3-month period before the scheme becomes operational.	December 2024 – March 2025
Phase 2 implementation	March 2025

4 **Key Issues for Overview and Scrutiny to Discuss**

- 4.1 Note the progress achieved as part of Phase 1 Selective Licensing scheme
Note the proposals and timelines outlined for Phase 2 expansion

5 **Key Questions for Overview and Scrutiny to Consider**

- 5.1 Share views/thoughts about the Phase 1 scheme to date and proposal for Phase 2 of the scheme
Note the devolved powers for approval of the scheme

6. **Links to Corporate Outcomes**

- 6.1 The scheme ensures that landlords are taking ownership and fulfilling their responsibilities through education and, where necessary, enforcement. Better managed properties also ensure that tenants are acting with respect for their neighbours, which, in turn, builds a more positive community where residents want to stay and be proud of. The Council, by implementing a Selective Licensing Scheme, is doing its part to ensure the following:-

- Improvement in property standards
- Improvement in the management of the property
- Landlords, tenants and residents are educated, encouraged and enforced against, to take responsibility and ownership, and therefore, creating better properties, better choice and a place where people choose to live and bring up their families

7 **Additional Supporting Information**

- 7.1 The use of an online application process has contributed to a less burdensome and less complicated system for those landlords who want to apply using this approach. The online system enables direct payment, provision of safety certificates and is linked to a condition audit application which assists officers in the inspection process. The system is also able to monitor and administer licensing applications, meaning resources can be used to tackle the poor landlords who are not complying with the requirements of the scheme.

- 7.2 Previous experience of the selective licensing scheme is enabling the team to ensure that all strands of the scheme are working in parallel to each other, these are:

- Determining properties that require a licence
- Encouraging applications
- Processing of applications
- Undertaking condition audits
- Taking formal action where there is non-compliance.