

REPORT TO SCRUTINY

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PORTFOLIO	Housing and Environment
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Selective Licensing - Trinity**PURPOSE**

1. To update the committee on the case for designating the Trinity Selective Licensing Area.

RECOMMENDATION

2. That the committee recommends to the Executive the approval of the Trinity Selective Licensing Designation Area.
3. That the committee recommends to the Executive the approval of the fee structure detailed in this report.
4. That the committee recommends to the Executive the approval of the financial implications detailed in this report.

REASONS FOR RECOMMENDATION

5. The Council have satisfied the statutory tests in Section 80 of the Housing Act 2004 in relation to the conditions required to designate an area for selective licensing.
6. Selective licensing is an important component of the wider regeneration strategy and is the only option available to the Council that compels landlords to look at how they manage their rented properties and where required, make improvements to management practices. It is important that significant investment aimed at improving the physical environment and economic conditions of the area are supported by initiatives to ensure the effective management practices are operating for those properties in the private rented sector, and that the area is sustainable as a mixed tenure environment with a range of housing options.

SUMMARY OF KEY POINTS

Background

7. Selective licensing was introduced by the Housing Act 2004; it allows local housing authorities to designate areas experiencing low housing demand and/or significant and persistent anti-social behaviour.
8. The Trinity selective licensing area was first introduced in October 2008 as one part of a wider regeneration programme to tackle low housing demand to bring about social and economic improvements in the area. At this time none of the initiatives ensured good standards of property management; the regeneration programmes were therefore being undermined by absentee or irresponsible landlords failing to provide effective property management. Selective licensing enabled the council to introduce measures, which compelled a landlord to provide responsible property management, dealing satisfactorily with all aspects of letting from referencing perspective tenants to taking appropriate action to address problems at their property.
9. The early withdrawal of Housing Market Renewal funding and the economic downturn have slowed progress and impacted significantly on the longer term plans for the area. However, regeneration activity continues in the area by the recent introduction of the Clusters of Empty Homes Programme. The Council is also determined that together with key partners, the existing commitments on the clearance and strategic land assembly programme are delivered to allow the redevelopment of priority sites for new housing within the wider Trinity area.
10. The current Trinity designation area is due to end on the 22nd October 2014 and whilst significant progress has been made during the five years of the scheme there is however still work to be done.
11. The monitoring reports that are produced annually for Trinity evidence that those factors that selective licensing influences directly such as property condition, management standards, environmental crime and anti-social behaviour are improving as a result of the designation.
12. Whilst landlords have engaged with the Council the monitoring of management practices does continue to show that some landlords will “cut corners”. This is often in relation to tenant referencing and their standards of property management. Landlords are under increased pressure with changes to the benefit system and changes relating to empty properties to minimise void periods and their remains the risk that some managers will revert to irresponsible management practices without the sanction of selective licensing.
13. A recent “Evaluation of the impact of HMO Licensing and Selective Licensing” published by the Building Research Establishment on behalf of the Communities and Local Government in January 2010, stated that Selective Licensing is a long term strategy and will not provide instant solutions. Furthermore, the report states “that

there are also major concerns that five years is nowhere near long enough to effect change that would be self-sustaining in the medium to longer term.”

14. The Council has had regard to the legislative requirements and Government Guidance when making its case for selective licensing. In summary the Council must demonstrate that:
 - a. The area is suffering from or likely to suffer from low housing demand;
 - b. That when combined with other measures in the area selective licensing will contribute to the improvement of the social or economic conditions in the area;
 - c. That the use of selective licensing is consistent with the Council’s overall housing strategy
 - d. That the Council adopt a co-ordinated approach in connection with dealing with homelessness, empty properties and anti-social behaviour,
 - e. That the Council have considered any other courses of action available to them that might provide the same outcomes as selective licensing.
 - f. Finally, before making a designation, the legislation requires the Council to take reasonable steps to consult persons who are likely to be affected by the designation and consider any representations made in accordance with the consultation.

Low Demand

15. The Trinity Ward and in particular the selective licensing designation area is an area of low housing demand which is evidenced in this document through a high proportion of private rented properties, comparatively low house prices, high incidents of empty homes, incidents of environmental crime and anti-social behaviour.
16. The 2011 census shows that almost 1 in 3 households in Trinity were privately renting from a landlord or agency (32.8%), which is significantly higher than the rate for Burnley as a whole (19.4%), and the Lancashire region (15.1%).
17. The number of empty properties in each ward were compared based on council tax figures extracted in October 2012 and demonstrate the position at that point in time. They show that Trinity ranks as the area with the highest level of vacant properties in the borough.
18. In 2012 the Median House price across the Trinity Ward was £30,000, which represented only 34% of the median price for the Borough. When compared with other similar wards the Trinity Median House price was more than 50% lower than the median house price for these wards. This clearly shows that there is a very significant gap between house prices in the Trinity Ward and other areas of the Borough presenting a strong indication that low demand is resulting in low property values.
19. Antisocial behaviour and environmental crime is a major concern for local people in the proposed selective licensing area. During 2011-12 the Council received a combined total of 585 cases of reported antisocial behaviour and environmental crime in the selective licensing area. Of this, a total of 58% of reported cases came

from private rented properties in the selective licensing area. The private rented sector in the selective licensing area is approximately 42% of the overall properties evidencing that antisocial behaviour and environmental crime is proportionally higher in private rented properties compared to owner occupied/housing association properties in the selective licensing area.

Combined Regeneration Activates

20. There are numerous on-going regeneration initiatives within the designation area, adjacent to the designation area and Borough wide to promote economic growth and address low housing demand. These initiatives include the Clusters of Empty Homes Programme, the development of new housing, multi-agency work through the Community Partnership to address anti-social behaviour, environmental crime and criminal activity. Selective licensing is a key initiative amongst these combined measures to ensure private rented properties are managed responsibly strengthening the community and creating a sustainable mixed tenure neighbourhood.

Council's overall housing strategy

21. *'The council wants to make the borough a place of choice. It will be a place where businesses want to invest, because of its skilled workforce and its competitive, modern economy. It will be a place where people want to live because of its clean and safe neighbourhoods, its reputation as a centre of educational excellence, and its quality green space.'* (Burnley Council's Strategic Plan 2013/14 to 2016/17).
22. Selective Licensing can make a valuable contribution to the creation of clean and safe neighbourhoods and the strategic plan contains the specific action to "Improve condition and management systems across the private rented sector".

Coordinated Approach

23. The Selective licensing team act as a "hub" to coordinate all information in the designation area, the team then work with numerous other teams and agencies such as the empty homes team, Streetscene, homelessness, the Community Safety Partnership and Floating Support to ensure to address a wide range of social and economic problems within and surrounding the designation area.

Option Appraisal

24. The Council considered several other options to determine whether they would meet the objectives of selective licensing. These options include a private sector leasing scheme, accreditation, the enforcement of housing conditions and management orders. These alternative options do not compel a landlord to address tenant behaviour or ensure landlords seek references when allocating their properties. The current selective licensing scheme has proved successful in tackling anti-social behaviour and ensuring problem tenants do not move within the designation area. Landlords will be able to continue to access advice and support from the Council to deal with problematic tenant behaviour.
25. The alternative options do not provide a long-term solution to the training of inexperienced landlords whose business and subsequently the community would benefit from improved management practices.

26. The alternative options are not area based and can only tackle a small number of properties whereas selective licensing tackles all privately rented properties in the proposed designation area. There are a significantly high number (42%) of private rented properties within the area and to improve the conditions, standards of management and reputation of the private rented properties in this area a collective approach is required; dealing with a small number of private rented properties through existing interventions will not assist in improving conditions of property and tenancy management across the wider neighbourhood.
27. The other options of accreditation, the enforcement of property standards and management orders will be used not as an alternative to selective licensing but as support tools as part of an integrated programme of measures to improve the social and economic conditions of the area.
28. Whilst there is always the risk with selective licensing, that landlords may illegally evict tenants, leave the area or try to avoid licensing this has not been the experience of the current designation area. Through robust monitoring procedures the team will identify all privately rented properties and any reports of illegal evictions are investigated immediately with sanctions taken against that landlord where necessary.

Results of the Statutory Consultation

29. The consultation exercise was carried out from 20th May until 4th August 2013, in summary the results showed that 275 people answered the question contained within the questionnaires; Do you agree with the council's proposals to introduce selective licensing for a further five years? 202 (73%) people answered yes, 48 (17%) people answered no and, 24 (9%) people answered I don't know.
30. The table below shows the breakdown of responses between landlords and residents showing that the vast majority of residents are in favour of selective licensing continuing in Trinity for a further five years. The majority of landlords did not want to see it continue.

	Yes	No	Don't Know	Total Responses
Landlords	25 (32%)	41 (52%)	13 (16%)	79
Residents	177 (91%)	7 (4%)	11 (6%)	195

31. The main reason landlords appear to disagree with the proposed selective licensing area is because of the fee, 65.8% disagree against 34.2% who do agree with the proposed fee structure. Many landlords who responded to the consultation believe the proposal fee was too high. The comments received have expressed the views that it is not value for money, that it is merely a way for the Council to create jobs and that it is an unfair cost to the good landlords who are suffering because of the bad landlords. Some landlords have also expressed the view that selective licensing deters investment into the area and creates further empty properties.
32. In response to the fee some landlords want to see a higher reduction in the fee charged to those who are already recognised by the Council as having good

standards of property management and property condition through the Good Landlord and Agent Scheme.

33. The support agencies of the Fire Service, Police, Enforcement Team and Floating Support were supportive of the proposal that Trinity should be designated as a selective licensing area for a further five years.
34. The Police see it as an invaluable tool in combatting anti-social behaviour, without it they believe it would be detrimental to the fight against anti-social behaviour.
35. The Fire Service see selective licensing as a key tool in helping reduce the risk to the community particularly from deliberate fire setting.
36. Floating Support believe that selective licensing gives support to tenants and security to landlords through the insurance of referring. Without selective licensing Floating Support believe that Trinity would decline, in repairs, void properties, anti-social behaviour and crime.

Fee Structure

37. Part 3 of the Housing Act 2004 outlines that the Authority may require the selective licensing application to be accompanied by a fee fixed by the authority.
38. As detailed in the statutory consultation the majority of landlords believed that the proposed fee for the selective licensing designation area is too high and should contain a larger reduction for those landlords accredited through the Council's Good Landlord and Agent Scheme.
39. In response to the consultation process further options for delivering the Trinity selective licensing designation area have been investigated which has resulted in a reduction to the fee. The new fee structure being:

Renewal Application Fee	£664
Renewal Additional Property Fee	£584
New Application Fee	£750
New Additional Property Fee	£670

40. Those Landlords that are accredited by the Good Landlord and Agent Scheme will receive a 30% discount; the original proposal was a 15% reduction. To be eligible for the discount landlords must have been accredited by the date the designation area comes into force.
41. A discount of £10 will be applied to the overall cost of the fee if the applicant submits a fully completed application form and all requested documentation within 3 months of the designation area coming into force. Payment must be received in full or a direct debit payment plan agreed. Failure to continue to make the annual direct debit payment will result in the loss of the early application discount.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

42. The total required budget for the Trinity Designation Area over the 5 year period from January 2014 to January 2019 is £380,522.
43. This will be met from the selective licensing fees. Predicted income being £377,171. This income is based upon the private rented properties that we know are operating in the designation area.
44. This would leave a deficit of £3,351 at the end of the five year programme.
45. In addition it is estimated that a further 15% of income will be received from new landlords equating to £56,755. This is based upon previous experience of the current Trinity Selective Licensing area where an additional 40% of income was received against initial figures projected in 2007.
46. The estimated additional income of £56,755 will be used to balance the budget taking account of the £100 accreditation and early application discount.

POLICY IMPLICATIONS

47. The Council's housing strategy is framed within the Pennine Lancashire Housing Strategy and Burnley share's a number of key strategic objectives with partnering local authorities across Pennine Lancashire. The strategy sets out a series of actions intended to support the transformation of the economy in Pennine Lancashire and recognises the importance of both growth and renewal in the housing market. The strategy contains a specific aim to progress "the development and promotion of landlord licensing and accreditation to foster closer working with local authorities enabling promotion of private rented accommodation as a 'decent' alternative to social housing."
48. Burnley's Future 2010-2017: the sustainable community strategy expresses the desire to attract new private sector investment into the borough, deliver new and improved housing and transform those areas most affected by antisocial behaviour and unclean streets. Selective licensing can play an important role in achieving these strategic objectives by ensuring that private rented sector housing makes a positive contribution to the housing offer within the borough.
49. Internal Selective Licensing policies and procedures first developed for the Trinity Selective Licensing area in October 2008 will be used to deliver the designation proposal in this report.

DETAILS OF CONSULTATION

BACKGROUND PAPERS

FURTHER INFORMATION

PLEASE CONTACT:

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