



Selective Licensing Evidence Report and Proposal

November 2019

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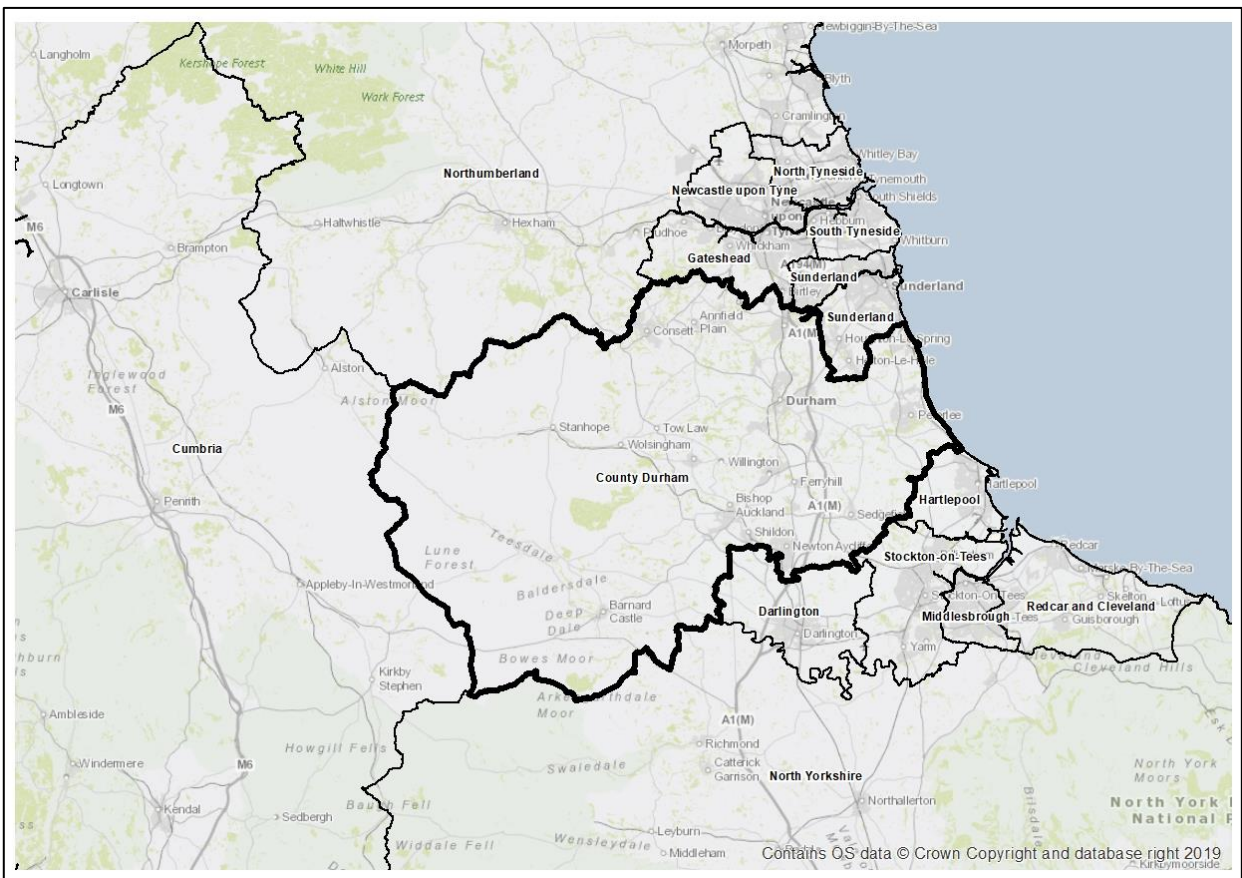
This is the evidence base for public consultation which will support the proposal of a business case for the introduction of selective licensing within County Durham.

Introduction

County Durham is a large and diverse area, and a place of distinctive character with a strong sense of its own identity. Situated in the heart of the North-East of the England, the county covers an area of approximately 862 square miles and has an estimated population of 526,000 (ONS mid 2018 estimates). Home to over half a million people, it is, in terms of population size, the largest local authority in the North-East and the seventh largest single tier local authority in England.

The County varies in character from remote and sparsely populated areas in the west to former coalfield communities in the centre and east, where villages tend to accommodate thousands rather than hundreds. It shares a border with eight other local authorities; Sunderland, Gateshead, Northumberland, Cumbria, North Yorkshire, Darlington, Stockton-on- Tees and Hartlepool.

Map 1: County Durham and neighbours

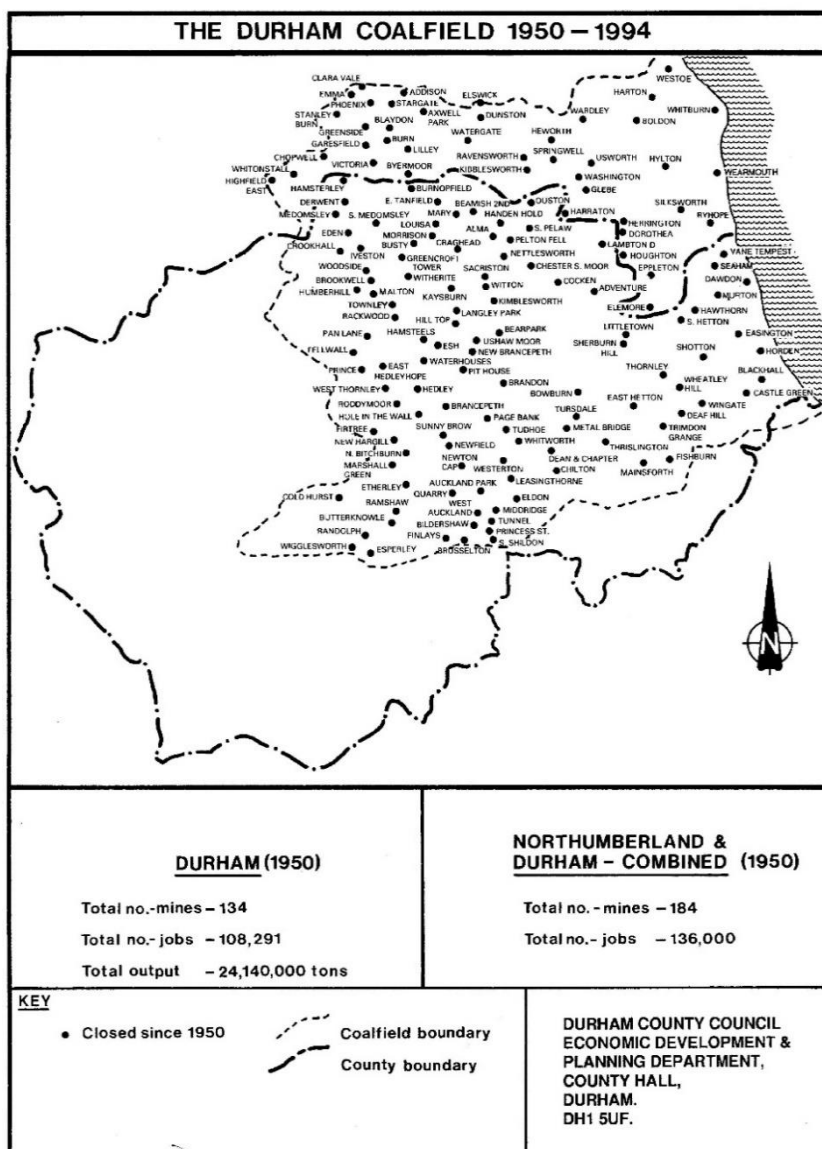


In the nineteenth century the growth of the mining industry transformed the landscape and the population of the county. Colliery villages sprang up everywhere and migrant workers from all parts of the UK swelled the workforce.

Coal production peaked in 1913 and in 1923 there were an estimated 170,000 miners working in County Durham. The industry declined in the county after the Second World War and many pits closed in the 1950s and 1960s. The last colliery in the Durham coalfield closed in 1994.

The scanned image below, is of a hand drawn map showing the extent of the County Durham and Northumberland coalfield.

Map 2: County Durham Coalfield 1950 to 1994



These colliery villages grew around a core of densely packed terraced housing which can still be seen in many of our towns and villages, leaving a legacy of poor quality older terraced housing with a lasting public health impact. The 2011 Census estimated that 38.5% (89,800 dwellings) of all dwelling types in the county were terraced, higher than both the region (30.5%) and England (24.6%).

Demographic change in County Durham since 2001

Since 2001, as predicted in Office for National Statistics (ONS) population projections and in line with neighbouring authorities, there has been an increase in both the county’s population and number of households. However, as detailed in Table 1 (next page), most of the population growth in the last eighteen years was between 2001 and 2011 (6.1%), with only 2% growth since 2011.

This contrasts with the steady growth in residential properties in the county of 16.4% from 2001, with half of this growth (7.9%) since 2011. This would suggest that the number of smaller household units (single or couples only) has increased within this time period and are residing in these additional properties and that potentially some will be renting privately.

In addition, the rental market since 2001 has changed significantly. The number of socially rented properties has fallen by nearly one fifth (19.8%) since 2001.

The volume of privately rented stock grew significantly between 2001 and 2011, with growth of nearly 78% to over 28,000 dwellings. Current estimates suggest that the county's privately rented stock has doubled since 2011 to an estimated 56,200 properties (see Appendix A for the methodology on '*Identifying the PRS in County Durham*').

The 2011 census indicated that 12.6% of all household spaces in County Durham were privately rented, evidence suggests that the sector is continuing to grow with recent work carried out to identify the private rented sector in County Durham estimating this has increased to 23.2%.

These changes are detailed in the table below:

Table 1: Change in population, households and the PRS in County Durham since 2001

	Population	Occupied Dwellings	Social Rented	Private Rented	Private rented as a % occupied dwellings
2001 Census ¹	493,470	207,436	52,757	15,825	7.6%
2011 Census ²	513,242	223,803	45,004	28,142	12.6%
Current Estimates ³	523,662	241,506	42,303	56,232	23.3%
% change 2001 - 2019	6.1%	16.4%	-19.8%	355%	
% change 2011 - 2019	2.0%	7.9%	-6.0%	99.8%	

1. Office for National Statistics 2001.

2. Office for National Statistics 2011.

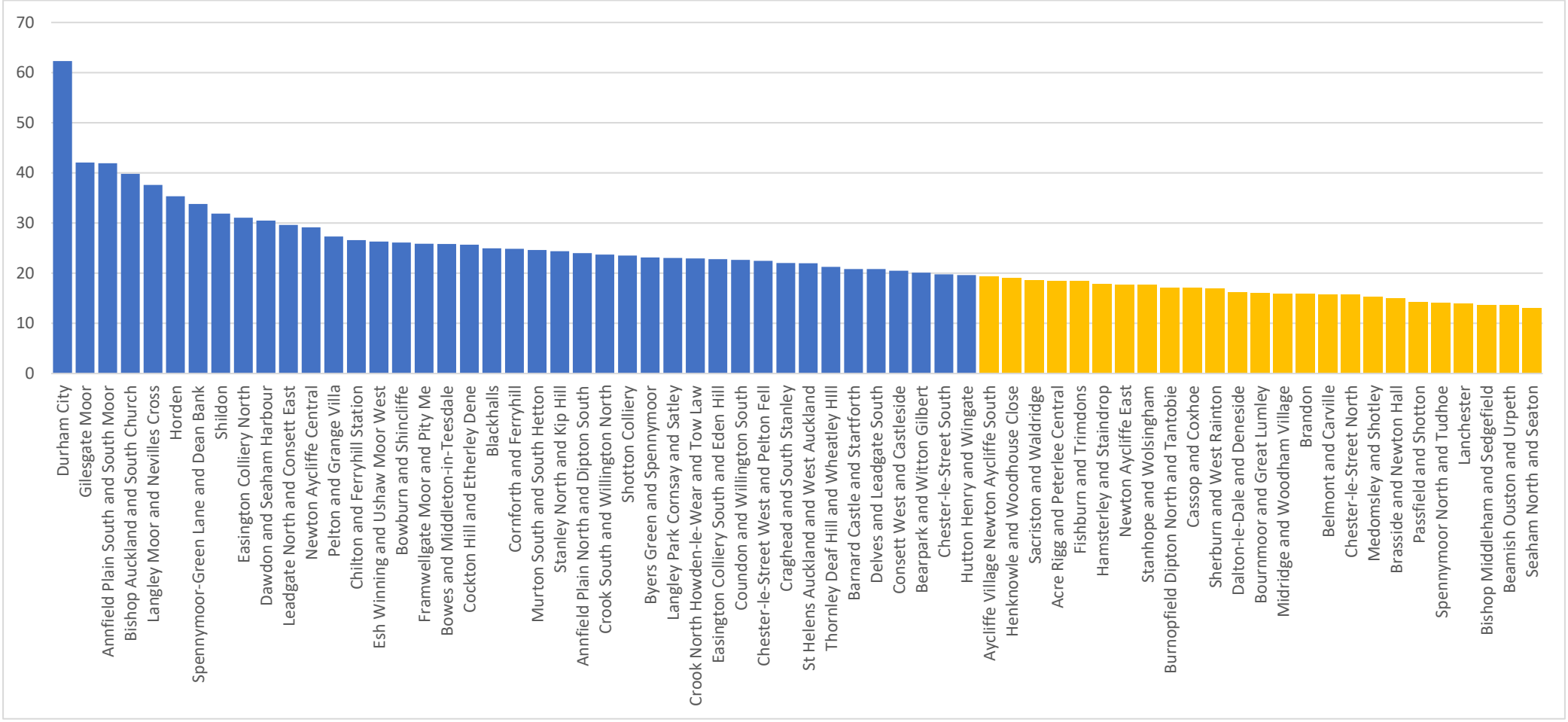
3. Office for National Statistics 2017 population estimates; DCC Household and PRS estimates (further details in the PRS section below).

To help analyse areas within the county it was decided to use the Office for National Statistics Middle Super Output Area (MSOA) - Census defined geographical areas - as this would provide a robust and stable basis against which analysis and future monitoring could be applied. Within County Durham there are 66 MSOAs.

Of the 66 MSOAs, 41 have higher proportion of private rented sector (PRS) properties than the national average for private rented (19.46%), with this expected to increase further. This means 62% of County Durham's MSOAs are above the national average for PRS.

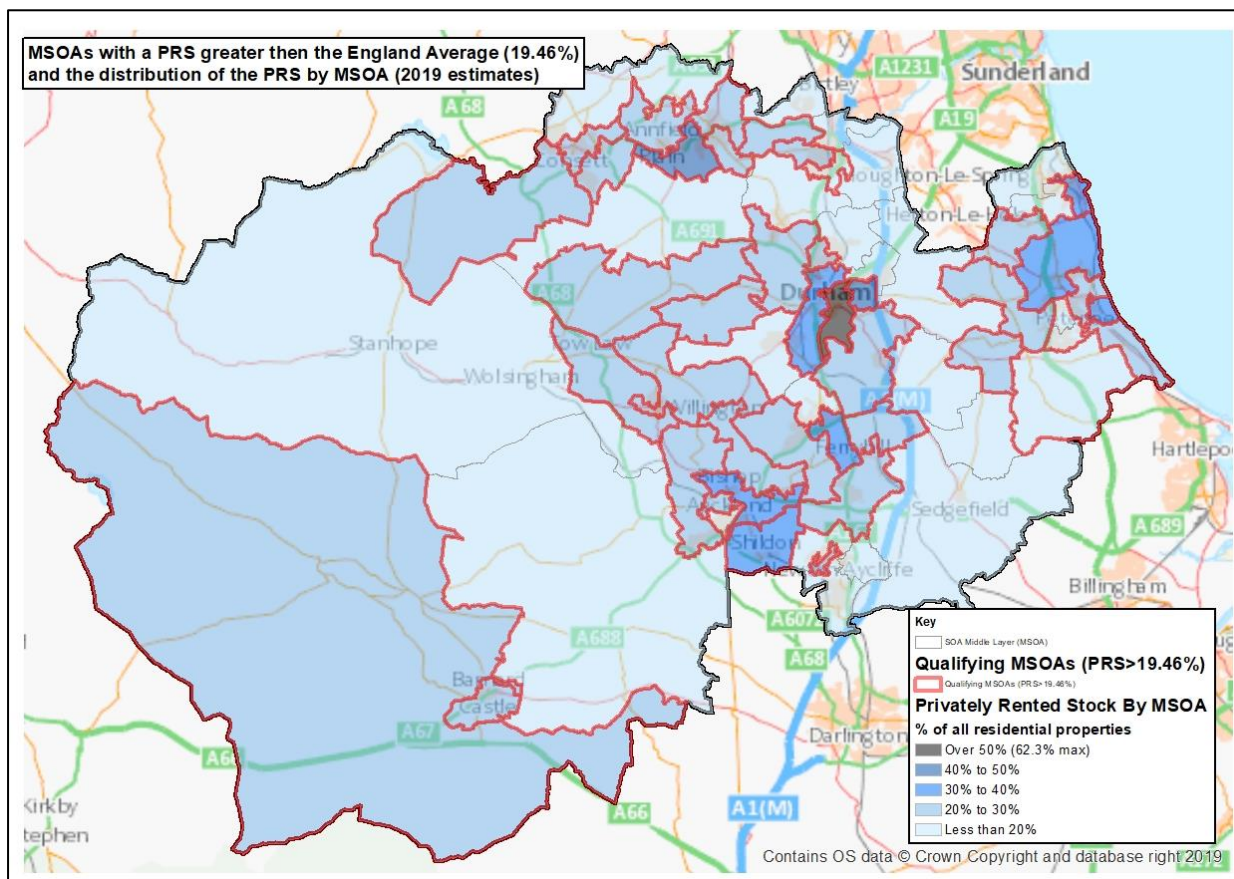
The graph below shows these 66 MSOAs and the percentage of PRS properties in each area:

Graph 1: PRS percentage per MSOA



The following map shows the distribution of those 41 MSOAs set against the distribution of the PRS in the county.

Map 3: MSOAs in County with a PRS proportion higher than England



All the indications are that the sector continues to grow both in absolute terms and relative to other tenures. The PRS has now replaced social housing as the second largest tenure in the city. There has been a rapid and substantial growth in the both the number and proportion of households living in the PRS across Great Britain – the number of households living in the PRS doubled between the 2001 and 2011 Census.

The County Council has commissioned a stock condition survey across the county which will include indicators such as category 1 hazards and disrepair, where in general the private sector does not tend to perform as well as owner occupied properties.

The strategic case for Selective Licensing in County Durham

The County Durham Housing Strategy was subject to consultation earlier in the year and was adopted on the 10th July 2019. It has been developed to consider housing issues in the County and to provide a strategic framework to inform actions and investment to result in positive outcomes for housing related themes in the County.

In response to changing market and policy conditions, the council needs to have a Housing Strategy that is responsive and maintains an element of flexibility in order to respond positively to opportunities and promptly to housing market issues or changes in national policy.

The strategy contains a series of 'key messages' which serve to articulate the council's and its partners housing delivery priorities and approach to housing issues. One of the key messages in the strategy is to continue to focus on raising standards in the private rented sector and seek greater licencing powers in order to tackle poor landlords, as well continuing engagement with landlords and extending the Accredited Landlord Scheme for responsible landlords.

The strategy framework sets out aims, objectives and detailed outcomes that align with its key messages. These set out what the council and its partners are seeking to achieve through the delivery of the Housing Strategy and align with the key messages. As part of its aim for 'More and Better Homes', through the Objective to 'maintain and improve standards across County Durham's housing stock and wider housing environment', the Strategy has a detailed outcome to 'Develop an approach to selective licencing in County Durham'

The Housing Strategy details that the council's approach to seeking to progress selective licensing is complimentary to other actions set out in the Housing Strategy and will be coordinated with the approaches to address homelessness, empty homes and other activities to support mixed and balanced communities.

The Housing Strategy is also a delivery focused strategy that is supplemented by a strategic action plan. An action to develop a business case for selective licensing across County Durham is part of the action plan to raise standards within the private rented sector.

One of the biggest challenges for Durham County Council is the limited number of good quality homes available in the Private Rented Sector. There are issues across the County with many areas experiencing large numbers of empty, abandoned and neglected dwellings. A large proportion of these properties tend to be concentrated in areas of deprivation and where the housing market is weak. This is proving difficult to address, with housing renewal funding being reduced considerably over the last few years. Durham County Council is continuing to work in partnership to improve housing conditions particularly in the Private Rented Sector.

In addition, evidence suggests that poor quality housing in County Durham is a possible contributory factor to poverty, homelessness and poor health conditions for some of our residents.

The County Durham Housing Strategy 2019 to 2024 has been developed to consider and address housing issues across County Durham. There are four objectives included within the strategy:

1. To provide housing advice, assistance and support for vulnerable people
2. To improve access to housing
3. To deliver homes to meet housing need and demand
4. To maintain and improve standards across County Durham's housing stock and the wider housing environment. This aim covers raising standards in the private rented sector, developing an approach to selective licensing, addressing empty homes, improving energy efficiency of properties and supporting and maintaining communities.

The Council's approach to propose to introduce selective licensing is complimentary to other actions in the Housing Strategy and will be coordinated with the Council's existing approach to addressing homelessness, poverty and health. This will be coordinated by working with key partners including the police, fire, health, housing providers, private landlords and the voluntary sector.

The introduction of a Selective Licensing Scheme directly supports several council priorities included within several plans, strategies and existing actions.

The empty homes policy and private rented sector policy will set out in detail those actions Council intends taking in order to address the existing levels of empty homes and poor housing stock in the private rented sector, particularly those properties empty for six months or more. Selective licensing will compliment this in terms of improving property condition and management and reducing empty properties.

The financial assistance policy will offer several tools including low interest loans to owners to improve their properties. If selective licensing is implemented, landlords can access these loans which will result in an improved housing offer and a better standard of accommodation.

The private rented sector is becoming difficult for local people to access particularly where there is a support need. Central Government is encouraging Local Authorities to provide alternate housing options, including setting up a local letting agencies (LLA). Working jointly with private landlords to help find tenants and in many cases bringing longstanding empty properties back into the letting market will be a key part of this and selective licensing will assist with the delivery due to the increased engagement and partnership working and the requirement that such landlords will need to have empty properties back into the letting market will be a key part of this and selective licensing will assist with the delivery due to the increased engagement and partnership working and the requirement that such landlords will need to have obtained a licence in respect of each of their properties to be able to access the LLA's facilities. This will mean an increase in properties available and will contribute towards the prevention of homelessness and rough sleeping.

If selective licensing is introduced, all those tenants housed in the licensed properties will benefit from services as landlords will be working closely with council staff.

If selective licensing is introduced, early intervention should increase with landlords able to highlight tenancy issues and additional support needs. For those clients needing more support this will be made available to assist with tenancy sustainment.

If the standards of accommodation are raised due to the introduction of selective licencing then this will have the added effect of tenants feeling more secure, at home and with them experiencing far fewer tenancy issues and, therefore, tenants will generally experience improved health and wellbeing

Partnership working will make landlords aware of ongoing energy efficiency schemes. This will lead to improved housing in the private rented sector and reduced fuel poverty (affordable warmth).

Landlords who are licensed will aim to work with local groups to address and manage anti-social behaviour.

Housing has an important role to play in supporting wider health and wellbeing objectives and that health requirements inform differing housing needs. Impacting their risk of illnesses, quality of life and access to appropriate support services, housing plays an integral part in the health of individuals and the general population.

The Public Health England (PHE) Housing and Health Memorandum of Understanding sets out some features of the right home environment including that it is free from hazards, safe from harm

and promotes sense of security. This would include work that contributes to the reduction of and protects against health harms. Examples include slips, trips and falls in the home (elderly) and accidents in the home (children).

Children are also particularly vulnerable to poor housing in relation to respiratory health (cold homes, poor ventilation, second-hand smoke and proximity to major roads) and household injuries but often only represented by-proxy unless they have a specific disability. Whether people have a long-term condition, are experiencing social or health inequalities or simply have changing needs as they get older, it is important that all homes in County Durham provide a safe, inclusive and secure environment for people to live and grow within their local community.

There are also increasing pressures on low income families following welfare reform. The various changes limit the amount of housing benefit payable towards housing costs. Families and single people have been affected by this and their housing options have become more limited. The introduction of universal credit has resulted in people falling into rent arrears whilst waiting for their first payment.

County Durham is also diverse from a health and wellbeing perspective. Overall health and wellbeing have improved significantly in County Durham over time, but it remains below the England average. In addition, large health inequalities remain across County Durham, especially with regards to breastfeeding, babies born to mothers who smoke, childhood obesity and premature deaths.

The health and wellbeing of County Durham's population is shaped by a wide variety of social, economic and environmental factors (such as poverty, housing, ethnicity, place of residence, education and environment). The wider or social determinants of health can be described as 'the causes of the causes of health inequalities. These are the conditions in which people are born, grow, live, work and age, and are central to our health and wellbeing.

14% of households in County Durham are fuel poor (in bands E, F and G) compared to 13.8% in the North-East region. Evidence has determined that proportions of people in fuel poverty varies across County Durham. The evidence noted that the lower super output areas (LSOA) with the highest proportion of fuel poor households are in the west of County Durham. This can often be a symptom of households in some areas of County Durham not having access to the main gas network which results in them having to make use of more expensive alternative heating systems.

Durham's ambition for the Private Rented Sector

The private rented sector in Durham has increased significantly since the census 2001 and evidence indicates that this sector is still growing. In 2001 an estimated 7.6% of all households in the county were living in privately rented properties, which increased to 12.6% in 2011 (Census estimate), increasing the number of privately rented properties to over 28,000. It is now estimated to be at 23.2%.

Private rented accommodation is a valuable part of the housing market and the recently approved Housing Strategy for County Durham recognises this. One of the aims/outcomes in the Housing Strategy is to raise standards in the private rented sector and the standard requirements of selective licensing will contribute to this. Selective licensing will be co-ordinated with strategies such as homelessness, empty homes, and other activities to support mixed, balanced and sustainable communities.

Durham County Council aims to encourage a more professional private rented sector through advice, guidance and negotiation and initiatives such as:

- Advice and information – provided to both landlords and tenants regarding their rights and responsibilities of renting a property.

- Empty Homes – working with property owners through engagement and encouragement including the provision of financial assistance such as targeted loans and grants to bring empty properties back into use.
- Financial Assistance Policy – the policy complements the range of measures employed by the Council, aimed at improving and maintaining healthy living conditions within the existing housing stock. It specifically seeks to help homeowners to improve, repair and adapt their properties. Other assistance is also available to help and support people with housing needs. Whilst the policy will target assistance at those who are elderly, disabled or on a low income, assistance will also be targeted at preventing decline within neighbourhoods in need of support.
- Accreditation – this is a voluntary scheme whereby landlords state they are of good character and sign up to a code of conduct. As part of this they are offered benefits such as advice and support, tenant referencing, training, access to a Council run landlords’ forum and quarterly newsletters, as well as template documentation. Landlords can also advertise via the Durham Key Options website, which is the local authority’s portal for housing options including social housing and low-cost home ownership.
- Targeted intervention – time limited projects incorporating regular multi-agency intervention through the Safe Durham Partnership and Community Action Team. This includes a range of council services and partners working together to address specific ongoing problems or where an area needs some additional support and focus. This is a mixture of engagement and targeted enforcement on a short-term basis.
- Support Services – both low level and intense support is available to tenants whose behaviour impacts on their tenancy or the surrounding neighbourhood, providing help with managing tenancies, help with finances, substance misuse and homelessness.

In addition, Durham County Council have several initiatives currently being introduced that will assist with some of the challenges in our local communities, these measures will work in conjunction with the Council’s selective licensing proposals.

Local Lettings Agency

In July 2019, Cabinet gave permission for Durham County Council to establish an LLA to provide general needs housing to rough sleepers and those unable to access mainstream housing. As LLA) is a general term applied to schemes that secure access to decent, affordable private rental accommodation for households and individuals in need and on low incomes who would previously have been unlikely to access housing. Durham County Council has been successful in obtaining £252,538 funding from the Ministry of Housing and Local Communities (MHCLG) under the Rapid Rehousing Pathway (RRP) which has been made available in order to support the setting up of local lettings agencies by Local Authorities. The LLA must provide 70 properties by July 2020, this will be done via a leasehold scheme with the LLA leasing properties from owners, assuming part management, then renting to those in need.

Buy to Lease

Durham County Council will acquire at least 20 properties via funding from Homes England and capital funding totalling £1,200,000 by March 2021. Properties will be purchased and refurbished utilising the funding, with the LLA managing the properties as part of a rental scheme. These properties will be used specifically to free up existing supported accommodation, by providing additional homes with support for those ready for semi-independent living (i.e. reducing ‘bed-blocking’).

Tenant Training

Durham County Council's Adult Learning Service have developed a Tenancy Skills course aimed at helping those unable to access or manage a first-time tenancy or know how to develop the necessary skills. This will be available to Durham Key Options (Durham's housing register) applicants and LLA tenants. In addition, Durham County Council are working with Crisis to provide a tenancy skill course to excluded groups, including those in prison. Both courses will run as pilot and be evaluated for future development.

Rough Sleepers Initiative (RSI)

Durham County Council received £700,000 from MHCLG to coordinate services to rough sleepers across the North-East region. Durham has benefited through RSI funding by providing an Outreach Worker to engage with rough sleepers across the County. There are now Accommodation Officers based in HMP Durham and Holme House to provide housing assistance while offenders are serving sentences/on remand increasing housing options on release. In addition, three Substance Misuse Workers are being provided across Durham & Tees Valley to engage with rough sleepers, those at risk of homelessness and those already homeless, that have substance misuse issues.

All projects will work in conjunction with selective licensing, assisting in the development of sustainable communities and providing additional support to tenants who need it enabling them to manage a tenancy independently and reducing the impact on the tenancy and local community.

Interim measures for the former selective licensing areas in County Durham

Following discussions with partners and landlords we have put the following measures in place when three previous designations (see '*Alternative measures*' below) came to an end, to ensure engagement with landlords in the area and to attempt to prevent the areas reverting to their former position. These measures include monthly multi-agency walkabouts, free accreditation, and a single point of contact at the Council.

Alternative measures in County Durham

Former designated selective licensing areas

Durham County Council had three former selective licensing designations since 2008, Dean Bank, Ferryhill, Chilton West and Wembley, Easington Colliery. The original selective licensing designations were introduced under the former district councils, in conjunction with their housing market renewal programmes.

The three areas were once thriving communities before the reduction of the coal industry. They have since suffered from below average property prices and high levels of empty properties along with other issues such as anti-social behaviour, crime and environmental issues.

All three areas were designated across two 5-year schemes. And have now come to a natural end.

Dean Bank and Chilton West

Properties here consist of a high proportion of poor quality older terraced housing and above average levels of private rented accommodation.

Selective licensing was introduced in 2008 to complement other measures identified in the former Sedgefield Masterplan, including selective demolition, new build, group repair and environmental improvements.

The areas have been supported in terms of renewal and investment for selective demolition, group repair and environmental improvements. Due to changes in the economic climate, some of the physical elements identified have not been delivered but improvements to properties and the environment are continuing.

Wembley

Selective Licensing was first introduced in February 2009 by the former Easington District Council, of which Durham County Council is the successor. The area was suffering from high levels of empty homes, poor housing conditions and low property prices, resulting in high levels of private rented accommodation.

Investment in the area went alongside the selective licensing scheme with capital investment being used for extensive group repair works which were carried out over three phases. This was intended to improve property condition, the local environment and increase housing demand.

During the lifespan of the two former selective licensing schemes there have been various measures of enforcement carried out in relation to either failing to obtain the necessary licence or breaching the set licence conditions.

Below is a summary of enforcement carried out, some of which resulted in both prosecution and a fine for the landlords involved:

Table 2: Summary of enforcement

Area	Non-compliance	Breach of licence conditions	Formal Warnings	Informal Warnings
Dean Bank	7	2	5	4
Chilton West	3	1	1	2
Wembley	4	2	9	11
Total	14	5	15	17

Evaluations carried out at the end of the schemes identified that selective licensing had made a positive impact within these areas with a reduction in reported crime and anti-social behaviour and positive improvements being seen in both the condition and management of private rented properties. However, some issues still exist, as presented in this evidence report.

Legal powers

Part 1 Housing Act 2004 enforcement

Improvements by way of formal notice being served. Landlords can be prosecuted or civil penalty if notice not complied with and council can do work in default. Process is time consuming with appeal provisions extending the time for compliance. There is no obligation on the landlord to be proactive in improving the property conditions. Work in default can be effective but expensive and adds the risk of costs not being recovered. Prosecutions often do not cover the council's costs and do not necessarily achieve improvements in property condition.

Anti-social Behaviour (ASB) powers

Formal notices can be served to the occupant which will resolve ASB if notice complied with. Premises closures – respite for community short term but doesn't improve landlord practices longer term. Action available is usually on the tenant and there is no provision to place any obligation on landlords to proactively manage their properties to reduce or prevent ASB in their properties.

Prosecutions and civil penalties for housing offences

As well as penalising landlords for their poor practices can also act as a deterrent to other landlords operating in a similar manner. Prosecutions or civil penalties do not secure improvements to property conditions or place any obligation on the landlord to be proactive in improving conditions. The absence of licensing reduces the scope for the Council to impose civil penalties for identified housing breaches.

Landlord accreditation

Voluntary scheme - can secure improvements in property condition and management practice for those landlords who choose to become a member. As it requires voluntary engagement rogue or poor landlords are unlikely to participate. In Durham there have been a relatively low number of landlords who have joined the scheme in comparison to the overall number of private rented properties across the County despite organising several landlord events to promote the scheme.

Empty homes initiatives

The Council already charge a premium rate of council tax for long term empty properties to deter owners from leaving them empty and have recently consulted on raising this premium further.

The Council are already proactive in their approach for tackling empty homes, often using a multi-agency approach as well as offering loans and grants to assist homeowners to bring properties back to a decent standard. We have exceeded empty homes targets and believe selective licensing will allow us to build on the improvements already made.

HMOs and the Student Population in County Durham

County Durham is home to Durham University which is regularly ranked in the top ten in the University Guide League nationally, and in the top 100 internationally, and as such attracts many students from around the country and the world. In recent years the University has also expanded

its capacity increasing the number of registered students¹ to 18,700 in total from 14,300 in 2003/04.

This has led to an increased demand for off-site accommodation mainly found in the form of local residential properties that have been registered as HMOs. More recently there has also been an increase in building single large-scale developments of privately owned and run accommodation blocks within the Durham City area.

Current figures show that there are 790 registered HMOs within County Durham with the majority located in and around the city centre. The three MSOAs of Durham City, Gilesgate Moor and Langley Moor & Nevilles Cross MSOAs contain 766 registered HMOs.

While these areas are covered by a separate HMO licensing scheme, detailed in the sections below, there is still an estimated 39% of properties that have been identified as potential privately rented in the area.

Targeted area-based intervention

Various time limited projects are ongoing within our communities, using a targeted multi agency approach to deal with a range of local issues. This intervention is resource intensive and often only provides improvements in the short term.

Having reviewed the options above, it is not considered that they would provide the mechanism to deliver the same level of improvements as selective licensing and meet the objectives in the Housing Strategy. We believe that selective licensing would work alongside these other measures to achieve the needed improvements and have a positive impact on residents living in the private sector as well as the wider community.

There is no single intervention that will achieve an overall solution to a problem, and each measure will have its limitations. Selective Licensing will provide a co-ordinated approach for strong effective partnerships that links agencies and services using a range of interventions.

Licensing options for local authorities

The Housing Act 2004 introduced licensing in relation to privately rented properties.

There are three different types of schemes, one mandatory (i.e. a national scheme that applies to certain Houses in Multiple Occupation (HMOs)) and two discretionary schemes that each allow Local Authorities to designate areas within those schemes at a local level.

Mandatory HMO Licensing

Part 2 of the Housing Act 2004 provides for licensing of HMOs if they meet the definition of a HMO as prescribed under section 55 of the act.

The original mandatory licensing scheme introduced in April 2006 applied to HMOs with three or more storeys and five or more persons forming two or more households. From October 2018 licensing was extended to all HMOs occupied by five persons or more in two or more households, regardless of the number of storeys, and where the householders lack or share amenities such as a toilet, personal washing facilities and/or cooking facilities. It also applies to purpose-built flats where there are up to two flats in the block and one or both are occupied as an HMO.

Additional HMO Licensing (discretionary)

Part 2 also makes provision to introduce Additional Licensing where Local Authorities believe that a significant proportion of HMOs that do not fall into mandatory HMO licensing are not being

¹ Durham University Summary Statistics: <https://www.dur.ac.uk/student.registry/statistics/summary/1.1summary/>

managed effectively and are, as a result, causing problems for both the occupants and members of the public. In 2012 Durham County Council engaged the Building Research Establishment to survey, review and report on the physical condition and management standards in non-licensed HMO's within the county. Their conclusion was that additional licensing was not justified.

Selective Licensing (discretionary)

Part 3 of the Housing Act 2004 gives Local Authorities the powers to designate either part or the whole of their area as selective licensing providing certain conditions are met. A Selective Licensing Scheme applies to private rented properties and, where there is such a scheme, those managing or in control of private rented accommodation will need to obtain a licence directly from the Local Authority for each property they let.

The Selective Licensing of Houses (Additional Conditions) (England) Order 2015 advises that a selective licensing designation may only be made if the area satisfies one or more of the following conditions:

The area must be experiencing one or more of the following-

- Low housing demand
- Significant and persistent anti-social behaviour
- Poor property conditions*
- High levels of migration*
- High levels of deprivation*
- High levels of crime*

*In addition, if this condition applies then the designated area must have high levels of private rented accommodation.

Our proposal for Selective Licensing

This report addresses the key points above and details the evidence to demonstrate which of the criteria is satisfied in each of the proposed designated areas within County Durham.

Guidance has been produced by the Department for Communities and Local Government (DCLG), advising that the Council must identify the objectives a designation will help to achieve and whether there are other courses of action that would achieve the same objective.

It also states that to be considered, any Selective Licensing Scheme must form part of the Council's overall housing strategies including homelessness, anti-social behaviour and empty homes.

If the Council makes a designation covering 20% or more of its geographical area or affects more than 20% of their private rented stock, then an application will need to be submitted to the Secretary of State for approval.

The Council must consult on its proposals for at least 10 weeks prior to making an application to introduce selective licensing.

There are many benefits linked to selective licensing including providing tenants with a greater choice of safe, good quality and well managed homes, better community and cross tenure relations, reduced anti-social behaviour, and help to stabilise and improve local neighbourhoods

This will be achieved by focussing on improving management standards of properties through establishing clear minimum physical and management standards which can be controlled through the licensing framework. This will be supported by proactive enforcement action taken against both unlicensed properties and/or where there are breaches to the licensing conditions with a 'light touch' for good professional landlords who are operating effectively.

In the absence of a wide selective licensing process and given that the next Census is not due until Spring 2021, with results available from mid-2022, a modelling process was developed to estimate the current proportion of households likely to be privately rented. This process is like processes used by other authorities looking to, or having, implemented selective licensing within their boundaries, to estimate and develop an understanding of their Private Rented Sector (PRS).

Starting with a countywide extract from the National Land and Property Gazetteer (NLPG) and matching the residential address held within this dataset to authority datasets an initial estimate of the number of PRS properties was calculated. The authority datasets included address lists of socially rented properties for exclusion, housing benefit records for inclusion and council tax records for verification. Other smaller internal datasets were also used to refine and assess the output from this process.

The council has carried out extensive data collection and analysis against each of the conditions set out in the Housing Act 2004 and the General Approval 2015.

The council are proposing to introduce a selective licensing scheme into 43 areas across the county where we feel we can meet the necessary conditions set out and that the scheme will contribute to the overall objectives in the *Council Vision for 2035* and the County Durham Plan, which are intrinsically linked; along with the Housing Strategy and Homelessness Strategy.

The Council is seeking four designations on the conditions of:

- low housing demand;
- anti-social behaviour;
- deprivation; and
- low demand and ASB (both conditions).

We propose all PRS properties in the following areas be designated under the stated condition:

Low Demand

- Annfield Plain South and South Moor
- Langley Park, Cornsay and Satley
- Esh Winning and Ushaw Moor West
- Sacriston and Waldrige
- Annfield Plain North and Dipton South
- Leadgate North and Consett East
- Pelton and Grange Villa
- Cornfortjh and Ferryhill
- Crook North, Howden-le-Wear and Tow Law
- Crook South and Willington North
- Cockton Hill and Etherley Dene
- St Hellens Auckland and West Auckland
- Henknowle and Woodhouse Close
- Stanley North and Kip Hill
- Delves and Leadgate South
- Bearpark and Witton Gilbert
- Cassop and Coxhoe
- Fishburn and Trimdons
- Byers Green and Spennymoor

Anti-social behaviour (ASB)

- Chester-le-Street and Pelton Fell
- Dalton-le-Dale and Deneside
- Acre Rigg and Peterlee Central
- Passfield and Shotton
- Craghead and South Stanley
- Sherburn and West Rainton
- Gilesgate Moor
- Aycliffe Village, Newton Aycliffe South
- Consett West and Castleside

Low Demand and ASB – both

- Dawdon and Seaham Harbour
- Murton South and South Hetton
- Easington Colliery North
- Thornley Deaf Hill and Wheatley Hill
- Bishop Auckland and South Church
- Chilton and Ferryhill Station
- Hutton Henry and Wingate

Deprivation

- Shotton Colliery
- Easington Colliery South and Eden Hill
- Blackhalls
- Horden
- Coundon and Willington South

- Newton Aycliffe Central
- Spennymoor Green Lane and Dean Bank
- Shildon

Areas not included for designation

There are 23 MSOAs which are **not** included in the proposals for designation.

We have chosen not to include in our proposal the western geographical area of County Durham following analysis of the data, as we did not feel it would benefit from selective licensing:

- Barnard Castle, Stanhope and Wolsingham, Hamsterley and Staindrop and Bowes and Middleton-in-Teesdale.

Although two of these MSOAs may meet the conditions for poor property, we believe this is related to the type of stock and limited access to cost effective heating and so acknowledge selective licensing may not be the best course of action to address these issues. One MSOA *is* above average for low demand properties when compared to the North-East but comparative to other areas in County Durham cannot be confidently evidenced to be in low demand - and many of the homes in this area (as with other areas in the west) are second homes.

14 of the 23 MSOAs not included in the proposal do not meet any criteria for selective licensing designation.

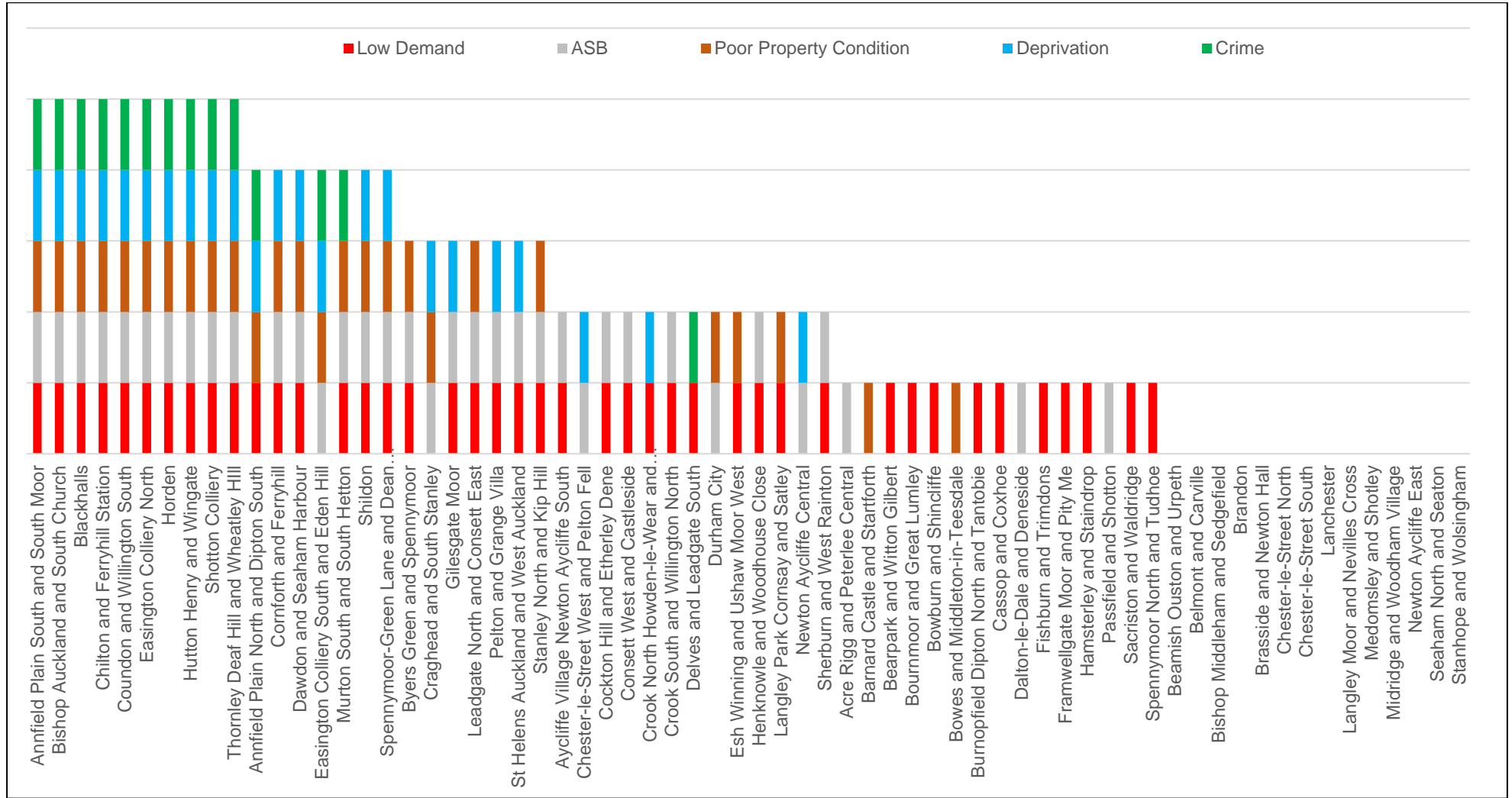
A further 5 MSOAs, although meeting some criteria when compared to the North-East data, may not meet the required test when compared with other areas in County Durham. This includes Durham City, which is the main university student accommodation area and is largely covered by existing HMO schemes.

The evidence for our proposals is summarised in the pages below.

The comprehensive evidence to support this proposal, the data analysis in relation to other conditions (available for designating areas for selective licensing) and the full list of areas not included in our proposals can be found in Appendix A.

The graph below shows all 66 MSOAs in County Durham and the criteria for selective licensing that they meet when compared to the relevant area (either to the North-East or to the County average, depending on the data available).

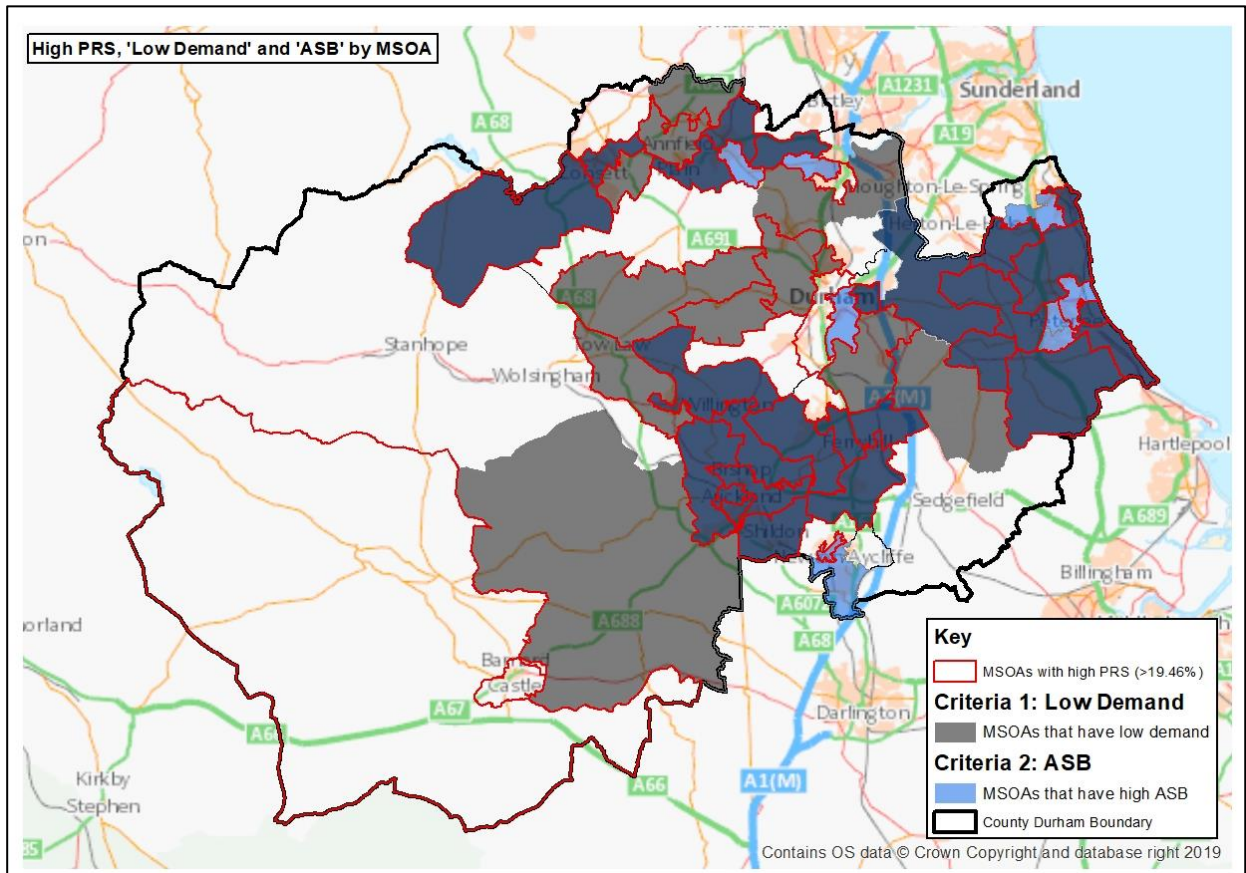
Graph 2: All MSOAs in County Durham by criteria met



Detailed analysis

The map below shows all areas within County Durham meeting the criteria for low demand and/or ASB.

Map 4: PRS, 'Low Demand' and 'ASB' by MSOA



Appendix A contains a full table of all 66 MSOAs in the county and which criteria each satisfies.

Low demand in County Durham

An area can be designated under low demand, if it can demonstrate that the area suffers from low housing demand or is likely to become such an area. The local authority should consider the following:

- Average House Price - 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;
- Vacancy Rate – the number of premises left vacant and the length of time they remain vacant;
- Turnover Rate – the rate at which the occupiers change in the residential premises.
- Number of residential properties available to rent or buy and the length of time they remain unoccupied;
- The general appearance of the locality and number of boarded up shops and properties.

Low demand is dictated by lower average house prices and higher vacancy rates - turnover is used as supplementary evidence as an area does not necessarily need to have high turnover rates to be designated. An area with high turnover may indicate low demand but in some areas with low turnover this may be due to high numbers of empties where people do not wish to move – this link will be explained where it occurs, later in the report.

We should compare against values from similar areas and we have decided to predominantly compare against the North-East region. Due to County Durham being unique in its demography

and geography it is difficult to compare to a matching area. As we have decided to use the (Office of National Statistics) MSOA defined geographical areas to build our selective licensing areas- and that many of the datasets we have used are internal datasets- it was not always possible to compare data to the North-East region. Therefore, it was decided that for:

- internal datasets, comparisons would be made against the county average and,
- for datasets available nationally, comparisons would be made against the North-East region.

In accordance with the General Approval guidance, the below are the tests that local authorities should apply when seeking designation for selective licensing based on low demand

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):

- The average house price in County Durham is £121,143 compared with £147,149 for the North-East region. 52 of the 66 MSOA areas (79%) are below the North-East average. Property prices range from £63,605 (Horden) to £218,005 in Langley Moor and Nevilles Cross.
- The average house price in 39 areas is below the County average.
- The median house price for County Durham is similar to the mean average (£119,000) but North-East median house price is £133,000 which is some way lower than the average. Despite this, 46 of the 66 (70%) areas in County Durham are still below this median figure.
- 38 % of properties within the county are terraced properties with 72% falling into the lower council tax bands of A and B.
- The average median monthly rent in the North-East of England, is £495². In County Durham it is £450, nearly 10% lower.

The number of residential premises which are available to buy or rent, and the length of time for which they remain unoccupied:

- The overall vacancy rate across the county is 4.6% which is higher than both the national and regional average with 2.6% being vacant for 6 months or more

The latest data used (see table below) in this analysis covered up to 31st March 2019 and showed that in total there were 11,178 empty homes in County Durham out of a potential 241,600 residential addresses, (4.6%); of these empty homes, 55.3% have been vacant for over 6 months (6,184).

² Rental market statistics:

<https://www.gov.uk/government/statistics/private-rental-market-summary-statistics-april-2018-to-march-2019>

Table 3: Vacant Dwellings

		County Durham	North-East (2018)
All vacant	Count	11,178	44,672
	% of homes in the area	4.6	3.6
Vacant >6 months	Count	6,184	16,979
	% of homes in the area	2.6	1.4
	% of all vacant	55.3	38.0
Vacant >12 months	Count	4,410	-
	% of homes in the area	1.8	-
	% of all vacant	39.5	-

The turnover of occupiers of residential premises (in both rented and owner-occupied properties):

- The total number of sales in 2018 was 8288 (3.4% of total properties, all tenure type), compared with 41,281 in the North-East (3.4% of total properties, all tenure type).
- Over this period nearly 27,000 dwellings had two or more changes of occupier in County Durham, (a rate of 1094.1 per 10,000 residential dwellings).

The turnover rate is the rate at which the occupiers in a residential dwelling change and as explained above following advice from MHCLG can be used a supplemental evidence instead of a statutory measure of 'Low Demand'.

The turnover rate in County Durham was estimated using council tax data by looking at the number of changes of a dwellings status within the council tax database. Over the three-year period April 2016 to March 2019 dwellings that showed two or more changes in occupier were counted and aggregated up to MSOA, proposed licensing area and the county.

The general appearance of the locality and the number of boarded up shops and properties:

When considering the appearance of each locality, we will take the following into consideration.

- Vacant properties
- Fly tipping
- Pests

Anti-Social Behaviour (ASB) in County Durham

An area can be designated under ASB if it can be shown the area is experiencing a significant and persistent problem caused by anti-social behaviour. In seeking a 'ASB' designation we have considered the following:

- Police ASB – three years of data covering 2015/16 to 2017/18 for comparison purposes with the North-East, with data available for 2018/19 for persistence analysis detailed below,
- Fire Brigade Secondary Fires - three years of data covering 2016/17 to 2018/19 for comparison purposes with the North-East,
- Durham County Council (DCC) – ASB and noise complaints (July 2016 to July 2019 and 2016/17 to 2018/19 respectively).

We have used the most up to date information available - in the case of Police ASB, data covering 2015/16 to 2017/18 was used to enable comparisons against the region, as regional data was not

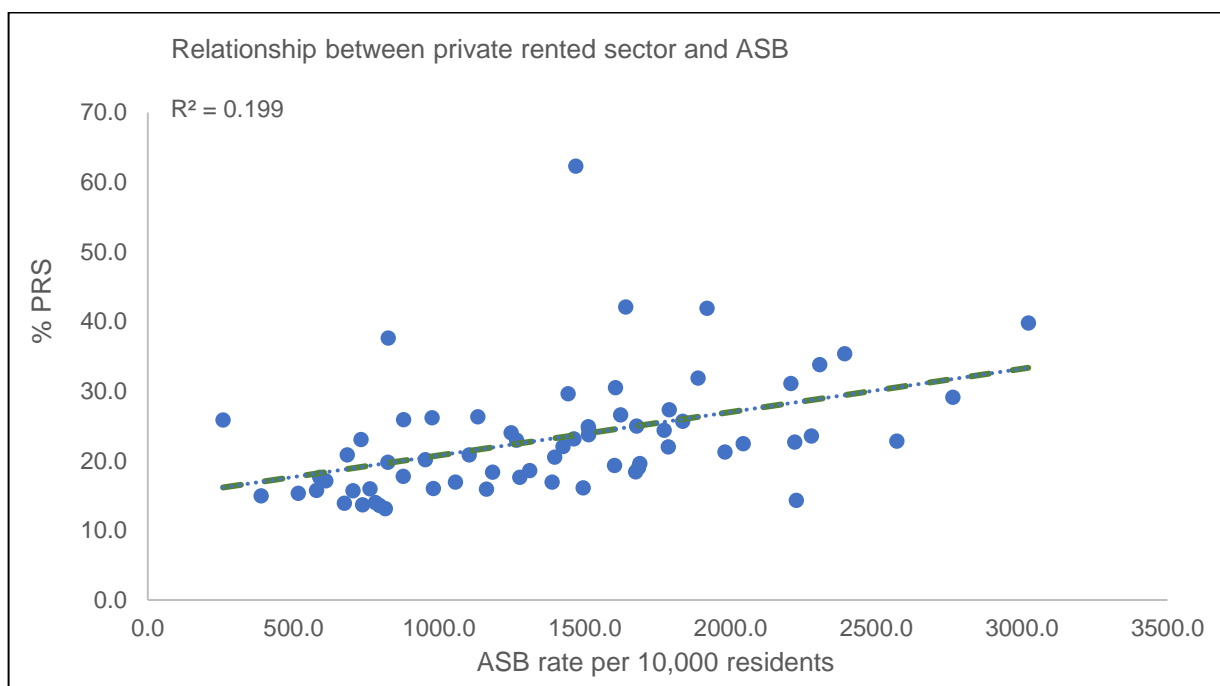
available for 2018/19 at the time of this analysis. In addition, the DCC ASB was extracted from a new system which came online in July 2016.

Each of these three datasets contain further indicators to sub-divide ASB into categories. In some cases, these categories do not directly relate to this selective licensing process and so were removed before the analysis was undertaken.

Over the three-year time period detailed above there were an estimated 71,958 incidents categorised under ASB across County Durham equalling a rate of 1374 incidents per 10,000 residents.

Overall 59% of authority ASB complaints were categorised under 'Personal', 51% of noise complaints were for barking dogs, 64% of Police ASB were around nuisance incidents and 53% of secondary fire incidents were around Loose refuse fires.

Graph 3: Relationship between private rented sector and ASB by MSOA in County Durham



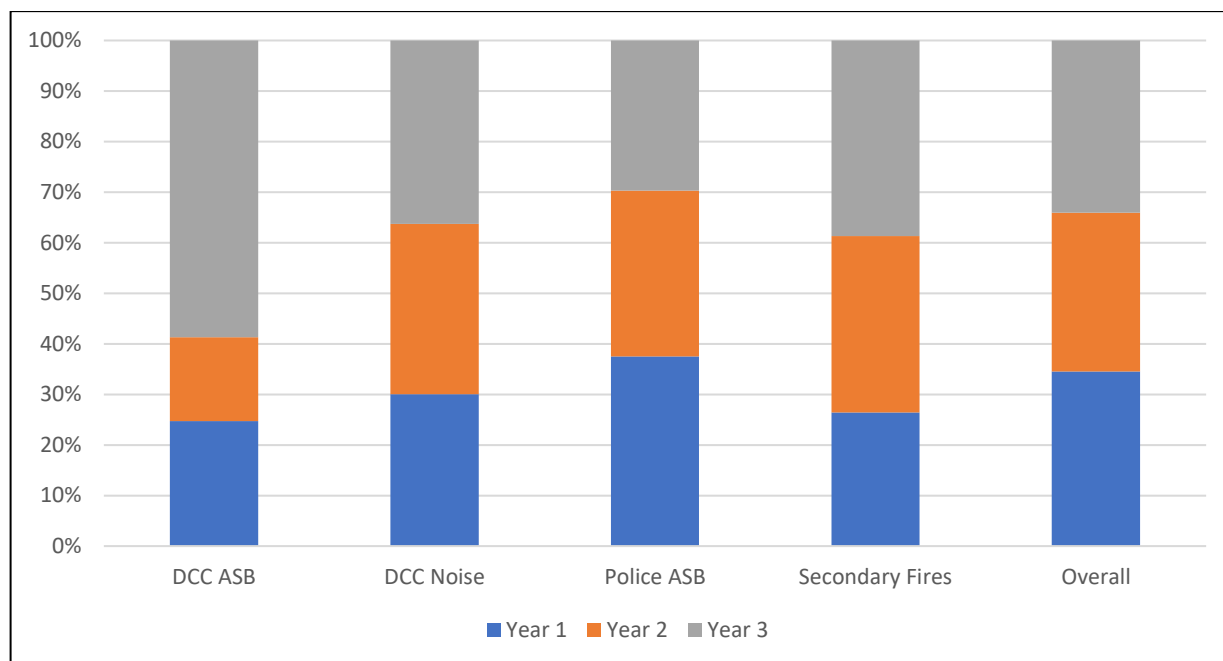
Although Police ASB rates in County Durham has fallen slightly, the data shows that over this three-year period there have been increases in local authority ASB and noise complaints, and secondary fires.

Over the three-year period, the proportion of incidents by year remained stable, however, the proportion of authority ASB incidents increased from 24.7% to 58.7% of total authority ASB, noise from 30% to 36.3% of total noise complaints and secondary fires from 26.4% to 38.7% of total secondary fires. Only Police ASB proportions fell from 37.5% to 29.7% of all ASB incidents. The following table and chart detail these changes.

Table 4: Change over time by ASB category – proportions and rates

	Proportion of ASB Incidents by category			Rate per 10,000 residents		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
DCC ASB	24.7%	16.6%	58.7%	31.4	21.0	74.5
DCC Noise	30.0%	33.7%	36.3%	37.0	41.4	44.7
Police ASB	37.5%	32.8%	29.7%	34.7	292.8	265.1
Secondary Fires	26.4%	34.9%	38.7%	36.1	40.0	430.4
Overall	34.5%	31.4%	34.0%	430.4	391.4	424.3

Graph 4: ASB percentage totals between 2016 and 2019 in County Durham



Deprivation

The guidance states that an area can be designation under the 'Deprivation' criteria if:

- that the area is suffering from a high level of deprivation, which affects a significant number of the occupiers of properties.

For the purposes of this analysis the Index of Deprivation 2015³ was used as a basis to evaluate the areas experiencing higher levels of deprivation and it was determined, using this indicator, that this area does in fact experience higher levels of deprivation.

Of the 66 MSOAs in County Durham, 33 were in the top 30% most deprived MSOAs nationally and they cover 47% of the resident population in the County. Of these 33 MSOAs, ten are in the top 10% of deprived MSOAs nationally and represent 14% of the resident population.

Eight of these ten MSOAs in the top 10% of deprived areas nationally have higher levels of PRS properties and have been included in our designation area for meeting the condition of deprivation, and these are listed on pages 18 and 19 of this report.

Supplemental Evidence

Although the proposal is to designate on the 'Low Demand', 'ASB' and 'Deprivation' criteria, County Durham also experiences issues with the other criteria of 'Poor Property Conditions', and 'Crime'.

Migration is not considered to be a significant feature of the housing market in Durham and so this condition has not been included in the evidence base.

Note: To designate on one of more of these additional criteria the area also must have higher proportions of PRS.

³ Ministry of Housing, Communities & Local Government Index of Deprivation 2015:
<https://www.gov.uk/government/collections/english-indices-of-deprivation>

Migration

The guidance states that an area can be designation under the 'Migration' criteria if:

- that area has recently experienced or is experiencing an influx of migration into it, **and**
- that a significant number of the properties referred to above are occupied by those migrants.

There is no evidence to support the second of these requirements, however, through the analysis of the Office for National Statistics 2017 Population Estimates and births/deaths data, it is possible to estimate overall levels of migration in or out of an area.

The analysis showed that 21 MSOAs have seen outward migration since 2011, contrary to the requirements in the guidance. 11 of these 21 MSOAs also have higher estimated PRS.

Poor Property Conditions

In addition to 'DCC ASB complaints', two other datasets were used to identify areas with poorer property conditions than the rest of the county; these were:

- Low Income Families – As it is difficult to estimate the number of families on low incomes for small areas (in this case MSOA) a proxy measure was used by analysing the HM Revenues and Customs: Children in low-income family's local measure, also known as the local child poverty measure,
- DCC Household Energy Efficiency Rating: Households in Fuel Poverty April 2019. This dataset looks to assess each residential property in County Durham using the Department for Business, Energy & Industrial Strategy - Standard Assessment Procedure⁴ (SAP). Each property is given an SAP score which relates to the energy efficiency of the property. Properties that fall in the lower categories of 'E', 'F' and 'G' are assumed to be in fuel poverty. This can be for several reasons including the type and construction method of the building, wall type (solid, cavity wall, etc.) and type of heating system/fuel used.

Crime

To designate an area under the 'Crime' criteria the guidance states that to qualify:

- that the area suffers from high levels of crime and that the criminal activity affects those living in the properties.
- The datasets used in this analysis were Police Crime and Fire Brigade Primary Fire incidents and showed that:

⁴ <https://www.gov.uk/guidance/standard-assessment-procedure>

Licence Conditions

The licence conditions will include mandatory conditions set out in schedule 4 (Appendix B) of the Housing Act 2004 as well additional licence conditions designed to assist in meeting the objectives of the scheme. We will seek views on these conditions during the formal consultation process.

Exemptions to Selective Licensing

There are some exemptions to selective licensing, a full list is available in the Selective Licensing of Houses (specified exemptions) (England) order 2006. Examples include HMO's that are required to be licensed under part 2 of the Housing Act 2004, business lets, long term leases and tenancies let under certain family arrangements.

Consequences of failing to apply for a licence or breaching the licence conditions

Failure to apply for a licence is an offence and upon summary conviction the landlord could be face an unlimited fine. If a landlord breaches any of the licence conditions upon summary conviction could face an unlimited fine per offence.

As an alternative to prosecution the landlord could face a civil penalty notice up to £30,000.

In addition, the local authority or the tenant can apply for a Rent Repayment Order if a property has not been licenced. Up to 12 months' rent can be claimed from the landlord by making an application for the First Tear Residential Property Tribunal.

Charges and fees

The Council has developed a fee structure for the scheme and is proposing the following fees for the licence period.

In accordance with the EU Services Directive we have had regard to the local government guidance listed on the Local Government Associations "Open for business" webpage.

	Total
Standard Fee	tbc
Accreditation Fee	tbc

Outcomes

We would expect the following outcomes from our designated schemes:

- Improving Management Standards – some landlords are simply not aware of the minimum requirements or their responsibilities as providers of housing and selective licensing will allow us to support and assist these landlords, provide training and share good practice which will lead to an improvement in the overall quality and management of these properties.
- Improvement of property standards - selective licensing would allow the authority to access properties and ensure necessary improvements around disrepair and unfitness removing the need for the tenant to make a complaint.
- Reduction in anti-social behaviour – through the licence conditions landlords will be responsible for responding to complaints of anti-social behaviour within their properties

Summary

The PRS provides a valuable resource and we want to encourage and support good landlords whilst tackling landlords who offer unsatisfactory accommodation and tenancy management to some of our most vulnerable residents.

The objectives in the housing strategy are to improve quality and standards in the private rented sector and selective licensing along with other measures will contribute to this.

Selective Licensing will help tackle issues in the private rented sector by raising management standards which in turn will provide greater confidence to prospective tenants. Private tenants can expect a better-quality home with robust monitoring of the set standards.

Owner occupiers may be prepared to stay in the area if they can see the improvements in the PRS with issues being addressed and preventing the area falling into further decline.

For investors it will create a level playing field, regulation will encourage landlords to raise their standard, with those unwilling to do so potentially leaving the market.