

**Special Economy and Enterprise  
Overview and Scrutiny Committee**

**25 February 2025**

**Selective Licensing Update**



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**Report of Alan Patrickson, Corporate Director of Neighbourhoods  
and Climate Change**

**Electoral division(s) affected:**

Countywide.

**Purpose of the Report**

- 1 This report provides an update to the Economy and Enterprise Overview and Scrutiny Committee (EE OSC) on the progress of the selective licensing scheme.

**Executive summary**

- 2 The legal powers to set up a scheme for the licensing of properties is contained in Part 3 of the Housing Act 2004. The scheme lasts for five years. Following a three-month notice period, the scheme went live in April 2022.
- 3 Selective licensing provides a regulatory framework which allows for proactive monitoring of the private rented sector (PRS) and the opportunity for enforcement against non-compliant landlords. It facilitates a multi-agency approach making the best use of a range of powers available, in addition to selective licensing.
- 4 Civil penalties can be used as an alternative to prosecution for selective licensing offences, including for not having a licence or non-compliance with licence conditions. They can also be issued for offences relating to property condition such as non-compliance with improvement notices.
- 5 The teams continue to work proactively in the selective licensing areas to ensure all landlords obtain a licence and comply with licence conditions, by making full use of informal measures and robustly pursuing enforcement action.

**Recommendation**

6 Economy and Enterprise Overview and Scrutiny Committee members are asked to:

(a) note the content of the report and provide feedback accordingly.

## **Background**

- 7 The council's housing functions include:
  - (a) preparing the housing strategy that sets out the housing needs of County Durham and how they will be met;
  - (b) private sector housing (enforcement) working with landlords to ensure any housing provided meets the required standards; and
  - (c) selective licensing which provides for the regulation of landlords in designated areas of the county.
- 8 Following consultation and Cabinet approval in September 2020, Durham County Council applied for a selective licensing scheme to central Government in December 2020. This application was approved on 30 November 2021.
- 9 Selective licensing came into force on 1 April 2022, covering 42% of the private rented homes and 103 of the 324 lower super output areas (LSOAs) in County Durham.
- 10 A landlord must have a licence for their property if they privately rent it in a designated area for selective licensing in County Durham and if it is occupied by a tenant(s).
- 11 This includes those Supported Housing Providers who are not registered providers if their properties are located in a selective licensing area.

## **Selective Licensing Scheme**

- 12 The scheme covers an estimated 42% of the PRS in County Durham (this was modelled at approximately 28,000 homes at the start of the scheme) and is one of the largest in the country. Where a selective licensing scheme covers more than 20% of the PRS within a local authority boundary, the specific consent of the Secretary of State is required before it can be introduced.
- 13 Durham County Council's selective licensing scheme was approved by the Secretary of State for the Department of Levelling Up, Housing and Communities (DLUHC) on 30 November 2021.
- 14 The scheme covers 103 of the 324 LSOAs in County Durham and in each of the LSOA, evidence was provided to demonstrate that the area met at least one of the three conditions required by legislation to justify being included in a selective licencing scheme, with some areas meeting all three. The conditions include:

- (a) significant and persistent anti-social behaviour;
  - (b) low demand; and
  - (c) high level of deprivation.
- 15 The legal powers to set up a scheme for the licensing of properties is contained in Part 3 of the Housing Act 2004. The scheme lasts for five years. Following a three-month notice period, the scheme went live in April 2022.
- 16 The key elements of this scheme in County Durham are:
- (a) promotion of good management practice which are capable of being sustained and enforced where not maintained;
  - (b) mandatory licence application for every PRS property within the defined scheme;
  - (c) landlords must pass a 'fit and proper person' test in advance of receiving a licence;
  - (d) appropriate staffing structure in place to support scheme administration, inspection, and enforcement;
  - (e) property inspection regime in place; and
  - (f) support for landlords to comply with licence conditions.
- 17 To date, 15,700 applications have been received:
- (a) 14,530 licences have subsequently been issued;
  - (b) £6.75 million income has been received;
  - (c) a further £0.31 million in 'Part B fees' due; and
  - (d) a breakdown of applications and income received by year is detailed at Table 1.

**Table 1: Applications and Income by Year:**

	<b>2021-22 (received February/ March)</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
<b>Applications</b>	1,332	8,540	3,270	2,558
<b>Income</b>	£0.385m	£3.435m	£1.695m	£1.236m

- 18 The two-stage fee process is laid down in case law:
- (a) 'Part A' covers the administration of the licence application; and
  - (b) 'Part B' covers the enforcement element of investigating landlords that are unlicensed. The Part B fee is calculated at the start of a scheme (and annually thereafter) and does not include Civil Penalty Notices issued directly to landlords, discussed later in this report.
- 19 Part A is taken on an application being made and Part B is paid when the draft licence is issued. Work is progressing on ensuring all landlords operating in the designated area are licensed or are subject to enforcement action.
- 20 To date, 57% of properties originally modelled to be subject to licensing requirements are either licensed or subject to enforcement action for not having a licence when required to do so. This figure is based on the modelled 28,000 properties in the scheme.
- 21 Selective licensing provides a regulatory framework which allows for proactive monitoring of the PRS and the opportunity for enforcement against non-compliant landlords. It facilitates a multi-agency approach making the best use of a range of powers available in addition to selective licensing.
- 22 It is acknowledged that this is just part of the solution, all previous interventions are still needed, not just to stabilise but, to enhance the communities moving forward.
- 23 The licensing fee is a maximum of £555 from 1 April 2024, with discount available for each of the following:
- (a) existing licence holders (on 1 April 2024) receive £110 discount if they apply for a licence for an additional property that has become licensable in the past 12 weeks; and
  - (b) all landlords with two or more properties (£35 discount for each licence after the first property).

24 The fee at the start of the scheme, and each year since, is detailed at Table 2.

**Table 2: Maximum Fee by Part and Year:**

	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26 (Proposed)</b>
<b>Total Fee</b>	£500	£500	£555	£565
<b>Part A</b>	£200	£200	£200	£200
<b>Part B</b>	£300	£300	£355	£365

- 25 Landlords who have complied and are licence holders already will pay just £410 per licence for additional properties, reflecting a reduced fee for tackling enforcement.
- 26 There are 4,500 licence holders as the landlord of just one property and 1,800 licence holders of multiple properties, with an average of five properties each. There are 50 licence holders for 20 properties or more.
- 27 At the start of the scheme, it was estimated there were three to four multi-property landlords to one single-property landlord. As there are less multi-property landlords than originally estimated (so far), savings have been made against the budget for discounted applications.
- 28 The licence fee is reviewed annually. It is proposed that the licence fee will go up by 2.2% (CPI in September 2024) in 2025/26 making the maximum fee £565.
- 29 The original maximum fee of £500 was set by Cabinet in 2021 following consultation. The fee level and income, impacts on the number of staff that can be recruited. It should be noted, for comparison, that Gateshead Council has proposed a licence fee of £850 for their next scheme (currently at consultation stage) and Northumberland has a fee of £650 for their scheme going live on 14 October 2024. Newcastle Council has set its fee at £900.
- 30 All income is ringfenced for the operation of the selective licensing scheme only. A maximum income of £12 million may be raised across the five years of the scheme based on receiving applications for all modelled properties. Much of the income is for staffing costs.
- 31 If any surplus is forecast by the end of the scheme, it must be ringfenced to increased staffing within the timeframe of the scheme or included in calculations for the licence fee if the scheme is to be renewed beyond 2027.

- 32 No selective licensing scheme receives all applications for licences in the first two years and it requires significant effort and resource throughout the lifetime of the scheme to promote the scheme and identify properties subject to licensing. It is established that a scheme, based on a complete city or borough, is simpler to administer than a vast countywide scheme albeit split into smaller designations. Regardless, many schemes do not reach the 100% target by the end of the five years and continue enforcement action beyond the five-year period.
- 33 There is currently no requirement for a person to register their property as privately rented and the team utilise multiple sources of data to identify properties that may require a licence and where the owner and/or managing agent is committing an offence.
- 34 Some reports suggest that the PRS across the United Kingdom has shrunk over the last six or seven years, because of Government policy and legislative and tax changes. It is suggested that the market has shrunk between 10% (CBRE) to 30% (London Council findings) since 2017. Therefore, it is feasible that whilst the data used during research and consultation in 2020 was accurate at the time but that the PRS market in designated areas is now smaller by between 3,000 to 8,000 properties. If the PRS across County Durham has shrunk by these amounts, it is possible that the PRS may range between 20,000 and 25,000 properties based on the original modelled projections.
- 35 However, new analysis by the Joseph Rowntree Foundation discovered that although small, buy-to-let landlords have left the market in greater numbers than they have joined in recent years, larger build-to-rent landlords have taken their place, leading to increased rents (8.4% in the last 12 months). If the PRS numbers in County Durham have been retained over the last five years, then a considerable number of properties still require licensing.
- 36 The recent Census data suggests that the designated areas contain less privately rented homes than was modelled in 2020 but some of the areas covered by selective licensing in County Durham have either exceeded 100% of expected applications already or are approaching this number. The majority of applications received to date were received in the first two years of the scheme however approximately 300 applications are currently being received every month, and the council will endeavour to improve upon this rate going forward.
- 37 To this end, a dedicated team of officers has been assigned to target properties without a licence and has seen successful by using a combination of informal measures and pursuing robust enforcement action. The actions taken include analysing data sources such as:

- (a) council tax;
- (b) housing benefit claims;
- (c) tenancy deposit data; and
- (d) pursuing incomplete applications.

- 38 In April 2024, 700 properties in designated areas were found to be unlicensed two years into the scheme, following analysis of tenancy deposit data, and in June 2024 a further 250 properties were investigated where housing benefit was in payment, but the property was unlicensed. In every instance of a suspected unlicensed property, follow up action is taken.
- 39 The council publishes successful prosecutions and details of civil penalties issued for non-compliance.

**Table 3: Finance (Actuals) since April 2022:**

	<b>Actual 2022/23 £000</b>	<b>Actual 2023/24 £000</b>	<b>Actual at Q2 2024/25 £000</b>
Employees	1,588	1,691	792
Transport	9	12	5
Supplies & Services	127	104	27
Central Support - Business Support	57	59	0
Contribution To / (From) Reserve	1,934	(65)	0
<b>Total Expenditure</b>	<b>3,715</b>	<b>1,801</b>	<b>824</b>
Licence fee	(3,689)	(1,730)	(896)
Civil Penalty Notices	0	(6)	(8)
Other Income	(26)	(65)	(7)
<b>Total Income</b>	<b>(3,715)</b>	<b>(1,801)</b>	<b>(911)</b>
<b>Net Expenditure</b>	<b>0</b>	<b>0</b>	<b>(87)</b>



40 The current team structure is detailed at Appendix 2.

41 Table 4 details the forecasted expenditure until the current scheme ends in March 2027.

**Table 4: Forecast until scheme-end:**

<b>Costs</b>	<b>Year-end Date</b>		<b>Total (£)</b>
	<b>31/03/26</b>	<b>31/03/27</b>	
	<b>£000</b>	<b>£000</b>	
Employee costs	1,827	1,794	<b>3,621</b>
Employee Overheads (mileage/ PPE)	20	20	<b>40</b>
Advertising	4	4	<b>8</b>
IT Equipment/ software	65	65	<b>130</b>
Central Support costs	50	50	<b>100</b>
Other charges	20	20	<b>40</b>
<b>Total Cost</b>	<b>1,986</b>	<b>1,954</b>	<b>3,940</b>

42 The budget does not currently include the potential income from civil penalties, and whilst the council is rightly concentrating on application numbers at this stage of the scheme, any scenario developed will be positively impacted by the income from civil penalties as well.

43 While the council continually reviews the operation and finances of the scheme (and following the assent of the Renters Reform Bill in May 2025), the housing standards team will commence a full review of the scheme in the middle of 2025. Data that will be analysed includes:

- (a) any reduction of anti-social behaviour in designated areas;
- (b) property improvements and management practices;
- (c) market demand; and
- (d) compliance of both applying for a licence and licence conditions.

44 A report will be presented to Cabinet late in 2025 to consider whether the council should consult on an extension of the existing scheme, consult on a revised scheme in terms of size, designation, and areas, or simply end the existing scheme (without renewal or extension).

- 45 Subject to the decision of Cabinet in 2025, if approval is given to consult on an extended or revised scheme, it is anticipated that a report will be brought to Cabinet in Spring or Summer 2026 seeking approval for the final proposal with an anticipated start date of April 2027. If the scheme comprises more than 20% of the county's PRS homes, the council will no longer need to apply to central Government for final approval as general approval now applies to all schemes (from 23 December 2024). Cabinet's decision will be based on the data analysis, benchmarking against other authorities, and the consultation feedback.

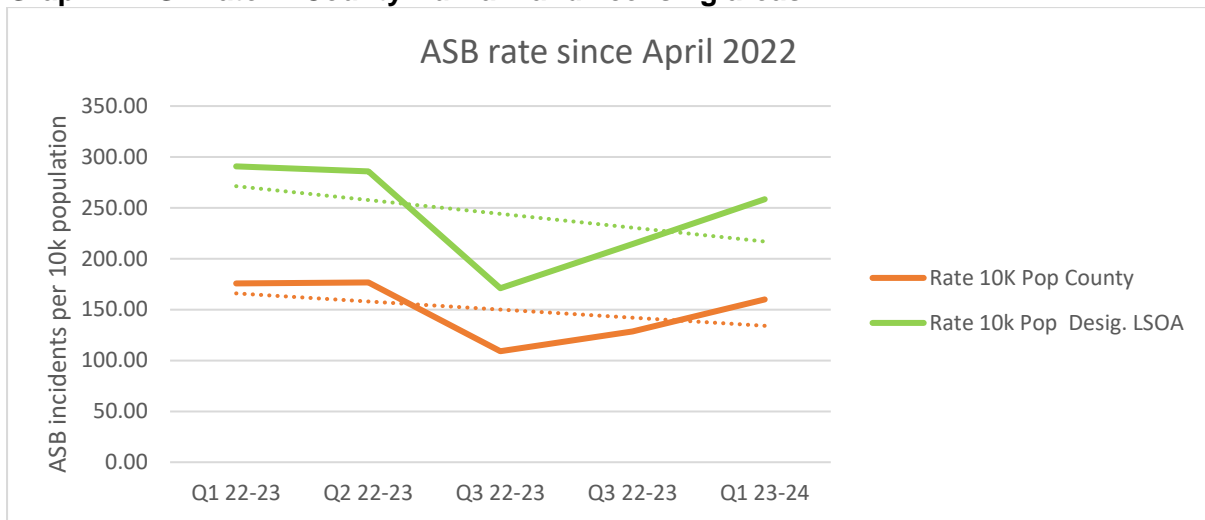
## **Enforcement and Engagement**

- 46 Over 4,000 inspections have been carried out to date, including 400 follow up formal inspections when informal negotiations have failed to get the required improvements completed by the licence holder. Over 1,400 properties have been improved following an informal inspection where hazards were either identified or management practices needed addressing.
- 47 There has been the following formal action taken:
- (a) 95 improvement notices served;
  - (b) five prohibition orders made; and
  - (c) three occasions where emergency remedial action was taken due to the imminent risk discovered at the property upon inspection.
- 48 Four landlords (one landlord on two occasions) have been prosecuted to date covering 12 properties and 17 offences. The council have taken over the management of a portfolio of properties from a prosecuted landlord and are currently pursuing a banning order against the landlord.
- 49 Civil penalties can be issued as an alternative to prosecution for selective licensing offences, including:
- (a) not holding a property licence;
  - (b) non-compliance with licence conditions; or
  - (c) improvement notices.
- 50 To date, 95 civil penalty final notices have been issued totalling £1.38 million but only £38,000 has been paid by the notice recipients. DCC legal team are to pursue the debt through the county court. This requires a signed certificate from the chief financial officer stating that the debt has not been paid which the courts must take as evidence of fact. The county court will then issue a charging order.

- 51 Justice for Tenants (the organisation that drafted the civil penalty policy for Durham County Council and a significant number of other local authorities) is proposing to set up its own legal firm with the sole remit to pursue civil penalty debt on behalf of local authorities. This is likely to be on a fixed fee basis, going from approximately £600 plus VAT up to approximately £1,600 plus VAT. The fee would vary based on the amount of the debt and fees would be taken from any monies recovered. It is hoped that the legal firm will be set up in the first half of 2025, before the Renters Rights Bill receives Royal assent.
- 52 Forty-one active investigations are ongoing, and these cases may progress to prosecution or civil penalty. In addition to these cases, 576 no licence cases have been identified and investigations will commence.
- 53 The maximum penalty for each offence is £30,000. Income received from a civil penalty can be retained by Durham County Council, providing it is used to further the statutory functions in relation to enforcement activities covering the PRS.
- 54 The benefits of selective licensing scheme are not just realised through enforcement. The scheme provides additional routes and access to homes to improve properties, management practices and in turn tenant's lives and community improvement through engagement with stakeholders.
- 55 Specific categories of anti-social behaviour (ASB) are monitored in both designated licensing areas and non-licensing areas across County Durham before and after the scheme began.
- 56 The selective licensing framework provides the following positive action:
- (a) Licensing sets out to landlords, through set licence conditions, what is required to take reasonable steps to prevent ASB at their properties and to address it, should it be identified.
  - (b) Council officers are able to contact landlords at the earliest opportunity to inform them of any ASB at their property without having to trace landlords first, which can sometimes be a time-consuming exercise.
  - (c) Officers work with landlords to advise how to deal with ASB and providing more 'hands on' support if needed through joint visits, letters, and documentation.
  - (d) The licensing conditions set out what the council expect landlords to adhere to and landlords who are found to be in breach of the conditions may face prosecution or civil penalty.

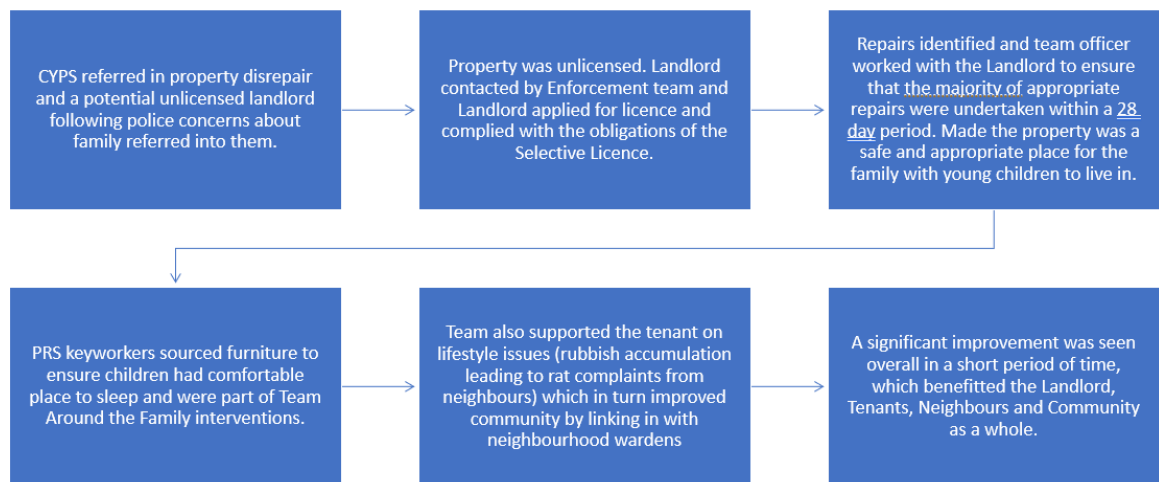
- 57 The mandatory licence condition requesting that all tenants are vetted ensures that landlords do not rent to tenants who are in need of support but have not yet accessed the support.
- 58 Since April 2022, when selective licensing came into force, the rate of ASB incidents per 10,000 population has been consistent in designated licensing areas with the overall rate for County Durham.

**Graph 1: ASB rate in County Durham and licensing areas**

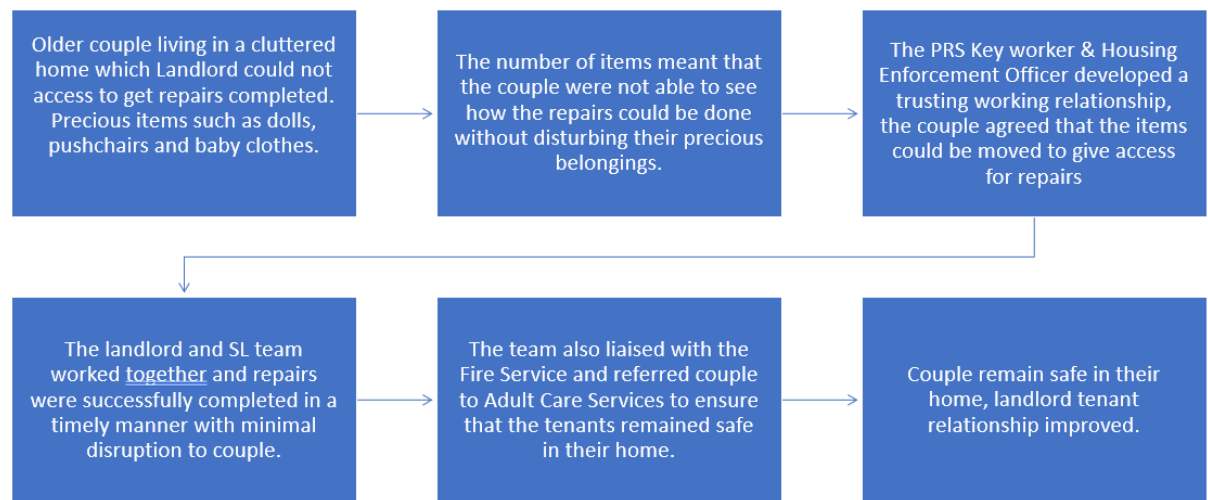


- 59 The rate of ASB is trending downwards in designated licensing areas in the last two years, as it is in County Durham. The sharp decrease in quarter 3 2022-23 was due to police reclassifying their ASB data. Since then, the ASB rate has increased across County Durham but remains lower than two years ago.
- 60 It is recognised that the scheme is at its mid-point and there is more work to be done to assist with neighbourhood issues. However, maintaining the ASB rate in designated areas in line with the county average, can be attributed to increased vetting and compliance with licence conditions in designated areas.
- 61 The employment of PRS keyworkers to work in conjunction with enforcement colleagues and vulnerable tenants and their landlords in selective licensing areas has been successful in sustaining tenancies and thereby avoiding further homeless cases. Some examples are shown below:

## Example 1



## Example 2



- 62 The Renters Rights Bill (timetabled to receive Royal assent in May 2025) includes proposals to increase the maximum penalty to £40,000. It will also bring in new statutory duties on local authorities to issue civil penalties for a raft of new offences around tenancy management practices and illegal evictions. As a result of the new enforcement obligations, it has been predicted that the number of civil penalties issued by local authorities may increase tenfold. This new enforcement regime will require a significant amount of new staff to cope with demand.
- 63 The Renters Rights Bill also has the commitment to introduce a property portal which all landlords of privately rented properties will need to sign up to. Offences will include:
- not registering on the portal as a landlord;
  - not having a property registered; and

(c) not providing documents.

64 While the Government has stated that the property portal will not replace selective licensing, it remains to be seen how the new portal impacts on future schemes, however it is envisaged that the portal will support local authorities' activity when targeting PRS enforcement to drive out criminal landlords.

## **Conclusion**

65 The impact of housing on health has recently received significant coverage in national and local press and local authorities are expected to take robust action to tackle poor housing conditions and management practices.

66 The selective licensing scheme gives Durham County Council that robust mechanism however also enables the council to provide support and guidance to landlords, managing agents and tenants in County Durham.

67 It provides an invaluable enforcement tool that has seen property conditions and management improve in over a thousand privately rented properties.

68 Engagement and enforcement work continues to ensure that tenants:

- (a) live in safe housing;
- (b) tenant related anti-social behaviour reduces; and
- (c) landlord management practices improve.

69 In turn, this has a positive effect on wider communities.

## **Background Papers**

- Cabinet approval for selective licensing application to central Government: [Agenda for Cabinet on Wednesday 16 September 2020, 9.30 am - Durham County Council](#)

## **Other useful documents:**

- None

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## **Appendix 1: Implications**

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### **Legal Implications**

Local authorities were required to obtain confirmation from the Secretary of State for any selective licensing scheme which would cover more than 20% of their geographical area or would affect more than 20% of privately rented homes in the local authority area. This requirement has now been removed and all selective licensing schemes will have general approval from 23 December 2024.

### **Finance**

The income from the selective licensing scheme is ring-fenced to the scheme.

### **Consultation and Engagement**

Consultation of the scheme occurred over six months in 2020.

### **Equality and Diversity / Public Sector Equality Duty**

None.

### **Climate Change**

None.

### **Human Rights**

None.

### **Crime and Disorder**

Selective licensing can be used effectively to ensure landlords comply with their legal requirements.

### **Staffing**

None.

### **Accommodation**

None.

### **Risk**



The recovery of debt is through the county court. DCC litigation team pursue this debt but council are also exploring the option of an external legal firm specialising in civil penalty debt recovery to take the cases. This would be on a fixed fee basis depending on the civil penalty amount.

## **Procurement**

None.

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## Appendix 2: Team Structure

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