

## Cabinet

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### Evaluation of Selective Licensing at Dean Bank and Chilton West



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#### Report of Corporate Management Team Ian Thompson, Corporate Director, Regeneration and Economic Development Councillor Clive Robson, Cabinet Portfolio Holder for Housing

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#### Purpose

- 1 This report outlines the background to the use of Selective Licensing at Dean Bank and Chilton West designed to tackle issues within the private rented sector. It also summarises the evaluation of the scheme, which looked at performance and highlights successes and areas for improvement. The report also makes recommendations for the future management of these areas.

#### Background

- 2 Part 3 of the Housing Act 2004 provides that a Council (i.e. the Local Housing Authority) may declare a licensing scheme for privately rented accommodation if the following conditions are met: -
  - *An area has low housing demand (or is likely to become such an area with a significant level of privately owned houses let on short term arrangements and where [the Council] is satisfied that the introduction of a scheme along with other measures would lead to an improvement in the social or economic conditions in the area.*
  - *An area is experiencing significant or persistent problems caused by anti social behaviour (where private landlords in the area are not taking appropriate action to combat the problem) and where [the Council] is satisfied that the introduction of a scheme along with other measures would lead to a reduction or elimination of the problem.*
- 3 Selective Licensing requires that any person wishing to rent out a property in a designated area must first obtain a licence from the Council. The Council must be satisfied that the landlord is a "fit and proper" person with satisfactory management arrangements in place to deal with any anti-social behaviour caused by their tenants. Selective Licensing applies only to private landlords, not to social landlords. It provides intensive housing management support in areas with problematic private rented housing,

aiming to improve neighbourhood conditions by raising private landlords' management standards.

- 4 Durham County Council has three Selective Licensing designations at Dean Bank and Chilton West in the South and Wembley, Easington in the East. An evaluation is required of both Selective Licensing designations in the South before the end of their five-year term in February 2013, in accordance with Communities and Local Government (CLG) guidance.
- 5 By 2007 both Dean Bank and Chilton West were suffering deprivation and decline. House prices were lower than the local average and there were high percentages of privately rented and empty properties. Rates of crime and anti-social behaviour were high with a significant proportion linked to private sector tenancies.
- 6 Sedgefield Borough Council applied to the Secretary of State for a Selective Licensing designation in each of these areas as part of a housing regeneration master plan. The designations came into effect on 7 February 2008, to run for the standard period of five years.
- 7 The following table shows the number of properties affected in the two areas under review and shows the number of privately rented dwellings subject to the licensing arrangements:

<b>Dean Bank</b>	<b>2008</b>	<b>2012</b>	<b>% change</b>
Total number of properties	869	806	- 7.25%
Privately rented	299 - 34.4%	327 - 40.6%	+6.2%
Owner occupied	358 - 41.2%	295 - 36.6%	- 4.6%
Other (RSL, DCC, Commercial)	196 - 22.5%	184 - 22.8%	+1.5%
Other properties held by Council	16 - 1.8%	N/A	N/A

<b>Chilton West</b>	<b>2008</b>	<b>2012</b>	<b>% change</b>
Total number of properties	514	423	- 17.7%
Privately rented	202 - 39.3%	146 - 34.5%	- 4.8%
Owner occupied	210 - 40.9%	171 - 40.4%	- 0.5%
Social renting (RSL, DCC Commercial)	79 - 15.4%	106 - 25.1%	+ 5.15%

- 8 Under the above two licensing schemes, a total of 403 properties have been licensed at £450 per property generating total income of £181,350. This income has been used to partially fund the cost of administration of the service.
- 9 The administrative function of issuing licences is now undertaken by the Housing Improvement Team, as part of a range of duties including tenant referencing, advice line, website development and performance monitoring. As for work on the ground carried out by the Private Landlord and Empty Homes Officers, Selective Licensing is one of a number of duties of the role, which includes bringing Empty Homes back into use and

undertaking housing inspections. The officers are permanent staff funded by the Housing Regeneration Service

## Evaluation

- 10 Following the guidance set by Local Government Regulation, the process of evaluation has attempted to identify the effectiveness of schemes for the Selective Licensing of private sector rented housing at Dean Bank and Chilton West by focussing on the schemes' performance against a number of key outcomes and has also examined how costs compare to any benefits that may have been achieved.
- 11 To undertake an evaluation the Council is required to undertake research to collect the evidence necessary to show there is a continued need for the scheme in the area. This has been confirmed by:
  - collection of data relating to property value, turnover and sales of residential properties and the levels of empty residential properties.
  - levels of crime and anti-social behaviour,
  - levels of environmental crime
  - comparisons of data with pre-licensing statistics and another comparable area
- 12 The Council must undertake a minimum of ten weeks consultation with persons likely to be affected by the scheme including residents, landlords, managing agents, other stakeholders including the Police and other housing providers operating in the area. This has been completed by:
  - On line consultation for residents and landlords running from August – October 2012
  - Postal consultation for the whole of Dean Bank and Chilton West
  - Focus Groups: Invitees included residents association representatives, Landlords / Managing Agents, Police, Livin, Three Rivers Housing, National Landlords Association
- 13 A report has been produced outlining the key consultation feedback and scheme evaluation to allow the Council to determine that they meet the legislative requirements to introduce a licensing scheme. Failure to meet the statutory requirements could result in the Council facing the threat of judicial review.
- 14 The evaluation has included case studies of each locality, containing descriptions of their housing markets and details on how the Selective Licensing schemes have been managed. Findings from the ten week consultation, including surveys of residents and landlords and consultation Focus Groups of stakeholders and partners carried out during August – October 2012 have been compared with baseline data from 2007.

- 15 Data collected during the 2007-2012 licensing period was analysed, along with opinions expressed at focus groups of managing agents, landlords and other stakeholders in relation to each of the Selective Licensing areas.
- 16 The evaluation has also taken account of findings from a national evaluation of Selective Licensing carried out in 2010 by the British Research Establishment (BRE) on behalf of CLG, and a number of reviews of individual schemes carried out by other local authorities
- 17 Measured against the key outcomes the evaluation found:
- Levels of crime and anti-social behaviour fell further and faster than other similar areas in County Durham. Selective demolition in these areas led to a small fall in the numbers of occupied properties and kick-started the fall in ASB but Selective Licensing has prevented displacement of problems and continued the downward trend.
  - Improvements in private landlord management practices have been introduced – tenant referencing, written tenancy agreements, end to illegal eviction.
  - No increase in housing demand could be attributed to the scheme; however comparison to the Dawdon regeneration area showed performance on this indicator was no worse despite significant physical investment in housing stock in Dawdon.
  - Environmental Improvement – improvement identified in levels of fly-tipping, graffiti and vandalism.
  - Effective partnership working – intensive activity in the area has supported partnership working by developing much better intelligence about what is going on in the privately rented stock.
  - Schemes are not self-financing – some savings have been identified in front line services, however, insufficient information is available to fully measure all savings.
- 18 An Executive Summary of the full evaluation report is attached at Appendix 2; copies of the full report are available upon request.

## **Conclusion**

- 19 In view of the contribution Selective Licensing has started to have in making both neighbourhoods more manageable, and taking on board the views expressed during the consultation, the Selective Licensing schemes could be renewed but with new boundaries to leave out the most improved streets.
- 20 Implementation of various changes proposed by the evaluation report would enhance the operation of the scheme if it was renewed.
- 21 There are two options for consideration regarding the future of the designation:

**Option 1** – to re-designate the Selective Licensing schemes at Dean Bank and Chilton West, focussing on fewer streets, as recommended in the evaluation report, along with other service improvements, pending a full review of Selective Licensing to coincide with the evaluation of the Easington scheme which ends in February 2014.

**Option 2** – Withdraw the Selective Licensing scheme from these areas at the expiry of the current designations on 6 February 2013 and implement a succession plan to manage the areas to protect previous investment and prevent further decline.

22 The table below compares the cost, risks and savings related to the two options:

<b>Comparison of Options 1 &amp; 2</b>		
	<b>Option 1</b>	<b>Option 2</b>
<b>Cost</b>	<ul style="list-style-type: none"> <li>Staffing Costs: Administration and Management of Scheme by existing staff partially offset by licence fee income</li> </ul>	<ul style="list-style-type: none"> <li>No additional staffing costs</li> <li>Increased costs associated with additional service requests relating to Environmental Issues, Disrepair /Noise/ Public Health, ASB, Homelessness, Substance Misuse</li> </ul>
<b>Risk</b>	<ul style="list-style-type: none"> <li>Opportunity cost of tying up some staff resources in current priority areas</li> </ul>	<ul style="list-style-type: none"> <li>More complaints from the public</li> <li>More involvement of front line services to deal with ASB and Environmental issues</li> <li>More tenancy turnover and associated problems</li> <li>Landlords lower management standards</li> <li>Further fall in housing demand</li> </ul>
<b>Savings</b>	<ul style="list-style-type: none"> <li>Protects previous DCC investment in the area</li> <li>Reduces demand for front line service intervention</li> <li>Protects the viability of sites for new build upon market recovery</li> </ul>	<ul style="list-style-type: none"> <li>Staffing costs to administer the scheme and support selective licensing areas</li> </ul>

## **Designation Process**

23 In 2010, General Consent gave local authorities the power to designate Selective Licensing schemes; after meeting the requirements to establish an evidence base and fully consult with those persons likely to be affected by a licensing designation.

24 Once a designation has been granted approval it will come into force three months after the date of approval provided that no formal objections are made. It will last for a maximum of five years from the date of designation. The Council will be required to:

Within seven days of confirmation:

- Publish a notice within the designated area in the prescribed manner
- Publish on the Council's Website
- Publish notice in two local newspapers and repeat a further five times two weeks apart

Within 2 weeks

- Write to all who took part in the consultation with a copy of the notice
- Send a copy of the notice to landlords, tenants, managing agents
- Send a copy of the notice to anyone who advises on landlord tenant matters – for example the National Landlords Association and the Citizens Advice Bureau

## **The Future of Selective Licensing**

25 In making a decision about the future of Selective Licensing in these two areas, consideration also needs to be given to:

- where the scheme fits with the Councils' priorities in accordance with the Regeneration Statement and the County Durham Plan, with its focus on key towns, and
- whether legacy regeneration areas or other areas with similar characteristics still require the intensive support Selective Licensing offers,
- and, what alternative approaches could be employed in these areas, including through cooperation with other similar Council services, particularly Durham Key Options and Environmental Health.

26 Work is currently ongoing to scope a Sustainability Matrix to enable the Housing Regeneration Service to assess localities where intervention is most required and this will help to inform the considerations highlighted

above. A review of the Housing Regeneration Areas will also contribute to further consideration of the role of Selective Licensing in the medium to long term.

- 27 The Council's other Selective Licensing Area, Easington, expires at the end of 2013/14 and a similar evaluation process needs to be undertaken to determine whether Selective Licensing continues in this area. It is proposed that as part of this evaluation of the Easington designation, the Council also uses the opportunity to address the issues highlighted above in section 21.
- 28 Selective Licensing provides a tool that could be used to address smaller problematic areas that could hinder economic growth within key towns and therefore consideration should be given to the use of the scheme in these areas too, depending on the outcome of the 2013/14 evaluation of Selective Licensing. However, Selective Licensing is a very resource intensive intervention, and its future use and potential extension needs to be seen within the overall context of reducing council funding

### **Recommendations**

- 29 Re-designate Dean Bank and Chilton West as Selective Licensing areas with amended boundaries, to safeguard investment already made, with a planned review of Selective Licensing to coincide with the end of the other Selective Licensing scheme in Easington at the end of 2013/14.
- 30 Implementation of the actions outlined in the review section of the evaluation report and its recommendations, to ensure improved service delivery. Particular focus to be on more effective partnership working with Environmental Health on enforcement and exploration of more joint working with Durham Key Options in relation to tenant referencing.
- 31 Review of the approach to Housing Regeneration Areas, to ensure alignment with corporate regeneration objectives and effective use of council resources.
- 32 Ensure an evaluation mechanism is incorporated into the new scheme that will enable a full accurate assessment of costs and savings of all front line services to be maintained.

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## **Appendix 1: Implications**

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### **Finance –**

The base budget for the Housing Regeneration Team has an income target of £20,000 per year for licensing income. If re-designation takes place, it is anticipated that 400 properties will be subject to licensing generating a total of £180,000 over a five year period (circa £36,000) which will be used to partially fund the administrative costs of running the scheme. If re-designation does not take place, the loss of income would need to be offset by savings in staffing and admin costs.

### **Staffing –**

Tenant referencing and other administration of licenses will continue to be delivered by the Housing Improvement Team. Management of the designations by the Housing Regeneration Team will also be met from existing staffing resources.

### **Risk –**

Risks identified in not renewing the scheme are outlined in the main body of the report. The main risk associated with renewing the scheme as proposed is the potential for judicial review. This has been managed through following the CLG prescribed consultation and implementation process which again is outlined in the main body of the report.

### **Equality and Diversity –**

No issues identified.

### **Accommodation –**

Not applicable

### **Crime and Disorder –**

This proposal directly links to the reduction of crime and anti-social behaviour due to the intensive neighbourhood management it employs.

### **Human Rights –**

No issues identified.

### **Consultation –**

A ten week consultation, including surveys of residents and landlords and consultation Focus Groups of stakeholders and partners were carried out during August – October 2012. There was significant support for continuation of the scheme as outlined in the report.

### **Procurement –**

No issues identified.

### **Disability Discrimination Act –**

No issues identified.

**Legal Implications –**

The Council's decision as to whether or not to renew the Selective Licensing areas and in relation to the other issues raised within the report will be subject to a right of legal challenge.

## EXECUTIVE SUMMARY

1. This evaluation has attempted to identify the effectiveness of schemes for the Selective Licensing of private sector rented housing at Dean Bank and Chilton West, following advice of LG Regulation in focussing on performance against key outcomes, and also examining costs compared to benefits.
2. Performance against key outcomes can be summarised as follows:
  - Reducing anti social behaviour attributable - *significant achievements, with anti social behaviour falling further and faster than in other similar areas of County Durham.*
  - Improving management standards - *sound performance, with various improvements to private landlords' practices identified.*
  - Increasing housing demand - *Selective Licensing on its own unable to change either neighbourhood's standing in the housing market.*
  - Improving the environment - *more needs to be done with other Council services on the effective enforcement of standards.*
  - Contributing to the effectiveness of partnership working - *Selective Licensing has enabled a Council officer to become an effective local change-maker, and offers local partnerships up to date local intelligence they would not otherwise have.*
4. Achievements are in line with other Selective Licensing schemes working in similar housing markets during economic downturn. The schemes in County Durham have maintained a proper balance between the administrative and street-level aspects of Selective Licensing, avoiding the pitfalls hampering some other schemes. The main weakness is they appear less effective than schemes in other Councils at enforcement around property condition and environmental issues.
5. Local Councillors and the Police view Selective Licensing as the only way to make uncooperative landlords play a more positive role, and believe without it Dean Bank and Chilton West would quickly return to the state they were in a few years ago, with an even more demoralised resident community.
6. Surveys suggest both neighbourhoods are still challenging places to live or invest in. Residents and landlords are as likely to say things are still bad as say they have improved. Residents are very keen for Selective Licensing to continue. Private landlords want continued Council support in some form, with a fairly significant minority still in favour of Selective Licensing.
7. Residents and landlords tend to agree on a range of wider improvements needed, begging questions about how economics will determine these neighbourhoods' futures. But for as long as this dilemma hangs around,

Selective Licensing offers a reminder of how expensive merely trouble-shooting in a neighbourhood left to decline could be.

8. Like Selective Licensing schemes elsewhere, fee income has not met the full scheme cost. Private Landlord & Empty Homes officers' costs are up to £44,000 p.a., but it is arguable that their cost should not be counted, as they would still be working in these priority areas if there was no Selective Licensing, attempting to achieve the same outcomes but with fewer powers.
9. Renewing the schemes will involve a significant administrative input to ensure all properties are licensed and necessary enforcement action taken. It is anticipated that 40% of the time of both an S.O.1 officer and a S. 4 support officer within the Housing Improvement team will ensure all requirements are met, at the FTE cost of £54,000, before any contribution from licensing fees.
10. Annualised fee income is approximately £36,000. However, due to improvements in neighbourhood conditions, a fall in the cost of Street Scene intervention has been estimated at around £12,000 p.a. If similar savings have been made by the Anti Social Behaviour Service and Environmental Health, who have also had to intervene less, then a combination of fees and savings in frontline service costs could cover around 70% of scheme costs.
11. As for the effectiveness of different approaches, a comparison has been carried out with Dawdon, where a decade-long regeneration package has been rolled out without Selective Licensing. Dawdon has performed no better on housing demand and has been less successful in reducing crime and anti-social behaviour.
12. Other Council services offer parts of what Selective Licensing offers, but none of them have its unique selling point of being able to force unwilling landlords to cooperate and improve their housing management.
13. In view of the improvements in Dean Bank and Chilton West a viable proposal for the future could be to continue with Selective Licensing in each area, but to re-focus it onto fewer properties, targeting the streets where most problems remain, with a full review after two years.
14. Selective Licensing would be more effective if a number of changes were made to various operational aspects of the schemes and these are included in the recommendations.

### **Recommendations**

1. *Renew the Selective Licensing designations at Dean Bank and Chilton West, but in view of the decline in antisocial behaviour and the effects of selective demolition, leave the most improved streets out of the renewed designation.*
2. *Carry out a review of the schemes to coincide with the evaluation of the other Selective Licensing scheme at Easington, when issues around the future direction of economic growth and other matters will be clearer.*

3. *Help all staff involved with Selective Licensing to be more responsive to the valid commercial needs of good private landlords so that the operation of the scheme will be improved through a more customer-focused approach.*
4. *Learn from neighbouring Councils running Selective Licensing schemes how to get better alignment between Selective Licensing and other services, particularly environmental enforcement. Delays are built into the current protocol arrangement and should be removed.*
5. *Explore any possible changes in the approach to how the Data Protection Act is implemented, particularly in regards to Tenant Referencing, where information sharing on 'red' tenants is needed to help set up sustainable tenancies*
6. *Work with the Police and other departments involved in Tenant Referencing to eliminate delays, and aim to emulate the turn-round times of other Councils.*
7. *Review whether any rules governing the issuing of licences are too restrictive or impractical, for example around requirements for gas certificates to be in place before a property is occupied or the length of time CRB checks are deemed valid.*
8. *Review the 43 non-mandatory licence conditions to see if the licence document can be simplified and better aligned to the Regeneration Service's new Housing Management standards to make performance reporting more relevant.*
9. *Consider making payment of the licence fee a condition of the licence, removing the need for separate civil action to recover non-payment.*
10. *Include a cost-tracking mechanism from the start of any renewed Selective Licensing scheme to identify ongoing cost savings from the scheme, including through reduced involvement of Social Services or Health, where major savings could lie.*
11. *Explore synergies between Selective Licensing and other services involved in providing private sector housing support: in areas of economic decline as the focus county-wide shifts from regeneration to growth; and in growth areas as a means of protecting investment by focussing on problematic "hotspots".*