



**Corporate Policy and
Resources**

**Thursday 11th November
2021**

Subject: Selective Licensing - Future Options and Proposals

Report by:	Assistant Director - Change Management and Regulatory Services
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Purpose / Summary:	To seek approval, of funding based on the feasibility information, to consult on future proposals for Selective Licensing in West Lindsey.

RECOMMENDATION(S):

Committee are asked to:

- a) Approve a budget and at risk funding of £122.9k to deliver phase 2 and 3 of the Selective Licensing Scheme as recommended by the Prosperous Communities Committee on 2nd November 2021.
- b) Approve the use of the £84.2k of general fund balance for the phase 2 consultation costs should a selective licensing scheme not progress.
- c) A further report be received once the outcome of the consultation is known, and a Scheme be agreed, for the purpose of setting the Selective Licensing Fee.

IMPLICATIONS

Legal:

The Housing Act 2004 requires Local Housing Authorities to licence mandatory licensable HMOs, and allows the licensing of other HMOs or privately rented housing. This licensing can come in the form of Mandatory Licensing (mainly HMOs), Additional Licensing or Selective Licensing.

The legal framework for the Selective Licensing is found in Part 3 (Sections 79 to 100) of the Housing Act 2004. Alongside this, The Selective Licensing of Houses (Additional Conditions) (England) Order 2015 sets out additional conditions for the purposes of a designation under Section 80.

A selective licensing designation may be made if the area to which it relates satisfies one or more of the following conditions.

The area is one experiencing:

- Low housing demand (or is likely to become such an area)
- A significant and persistent problem caused by anti-social behaviour
- Poor property conditions
- High levels of migration
- High level of deprivation
- High levels of crime

This paper refers only to Selective Licensing. The Housing Act 2004 allows Local Authorities to introduce licensing for privately rented properties accommodating single households. It is intended to address the impact that poorly managed rented properties can have on the local environment and to improve housing conditions.

Part 3 of the Act sets out the scheme for licensing private rented properties in a Local Authority area. A Local Housing Authority can designate the whole or any part(s) of its area as being subject to Selective Licensing.

Where a Selective Licensing designation is made it applies to all Part 3 houses which may be houses or flats as defined by Sections 79 and 99 of the Act, which are privately rented properties in the area, subject to certain exemptions for example Registered Providers (formerly known as Housing Associations), or HMOs which are required to be licensed under Part 2 of the Act through an Additional Licensing Scheme.

Financial : FIN/120/22/TJB

The scheme will require an upfront investment of £165.6k however, £38.7k funding is currently available in the revenue budget for this scheme. The remaining £126.9k will be met from the General Fund initially, but will be offset by future income created by the scheme, and thereby replenishing the General Fund Balance.

If, after consultation, it is determined that no scheme should go ahead at all, then the Council will have incurred costs relating to the designation and consultation work which totals £122.9k. With the £38.7k of funding available in the revenue budget, £84.2k will be met from the General Fund Balance.

If the Council agrees to commence with a scheme and submits a designation to the Secretary of State, alongside an independent designation for Gainsborough SWW, that is then not successful, it will be able to recover the costs of the full designation work from the first designation for the SWW.

Initially the scheme will be run with existing staff and covered by the revenue cost already built into the Medium Term Financial plan. Additional resources will then be added as the scheme develops prior to designation and applications are initially received.

The detailed financial information and assumptions are detailed at Section 3 of the report and reflect additional costs and income levels and does not include the cost of resources already within our establishment which would be attributed to this scheme.

The fee of £675 is based on total cost recovery but will be subject of a future report to set the Selective Licensing Fee once the scheme details are known. The fee level may also be subject to change as a result of the consultation.

Staffing :

There are no immediate staffing implications. The final proposals will detail the specific staffing requirements needed to deliver any scheme. The existing staff resource will be utilised to deliver the consultation elements of the scheme.

Specifically in relation to the consultation, there will be a demand on this work area in the short term during the consultation period to cover the coordination of the consultation activity.

Equality and Diversity including Human Rights :

An Equality Impact Assessment has been undertaken for the consultation specifically. This will be developed further should the scheme be delivered to then include any implications for the actual licensing delivery.

West Lindsey has inequalities between relative affluent areas and those considered deprived. The scheme should help those that are more disadvantaged through ensuring proper tenancy arrangements are in place. The elimination of overcrowding and poor energy efficiency of properties within the private rented sector will help improve health outcomes.

Data Protection Implications :

No implications at this stage.

Climate Related Risks and Opportunities :

The improvement of property conditions can have a direct impact upon CO2 emissions and fuel poverty. A licensing scheme is one tool available to bring about improvements to property conditions and where these are achieved it will contribute to the broader climate agenda that the Council is working towards.

Section 17 Crime and Disorder Considerations :

Whilst only one of the proposed designations will be based on the anti-social behaviour criteria, selective licensing provides a tool to manage ASB related issues within the private rented sector.

An increased number of property inspections, combined with additional presence in the designated areas enables the Council to focus on the highest risk issues, which are usually then linked to properties where ASB and crime have been concerns.

As has been demonstrated by the Council's previous scheme, there is a link between unlicensed properties and criminal landlords, which can be better targeted utilising the proposed approach.

Health Implications:

The improvement of property conditions is well documented as having a positive impact on the health of occupants. A licensing scheme provides a more wholesale method for bringing about these improvements and places additional regulatory requirements on its landlords.

Title and Location of any Background Papers used in the preparation of this report:

Selective Licensing in the Private Rented Sector: A Guide for Local Authorities

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/418551/150327_Guidance_on_selective_licensing_applications_FINAL_updated_isbn.pdf

Prosperous Communities Committee, 16th March 2021 – Item 56. Approval of further work to be undertaken on future options for Selective Licensing [Agenda for Prosperous Communities Committee on Tuesday, 16th March, 2021, 6.30 pm | West Lindsey District Council \(west-lindsey.gov.uk\)](#)

Risk Assessment :

The main risks are in relation to:

- There is currently not sufficient and demonstrable strategic alignment to Satisfy the MHCLG criteria, should consent need to be sought.
- Data in relation to ASB and Crime has not been as conclusive for wards other than in Gainsborough South West Ward.
- A two designation approach may result in only a scheme being delivered in the Gainsborough South West Ward.
- The financial modelling seeks to cover scheme costs based on delivery of a scheme in the Gainsborough South West Ward only.
- Application processing times (subject to CRM) will need to reduce in order to ensure that the scheme can be delivered within the proposed fee.

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

1 Introduction

- 1.1 This paper sets out proposals for the consideration of a further selective licensing scheme in West Lindsey, following on from the initial scheme in Gainsborough South West Ward that ended in July 2021.
- 1.2 On the 2nd of November 2021 Prosperous Communities Committee approved that the Council will commence consultation on its proposals to deliver a selective licensing scheme across a total of 5 wards within the district. These wards being Gainsborough South West Ward; Gainsborough North; Wold View; Hemswell and Market Rasen.
- 1.3 Prosperous Communities Committee also approved that the report be referred to Corporate Policy and Resources Committee to seek a decision in relation to the financial commitment of £126, 921 needed to deliver phases 2 and 3 of the scheme.
- 1.4 The full report and appendices considered by Prosperous Communities Committee can be found here [Agenda for Prosperous Communities Committee on Tuesday, 2nd November, 2021, 6.30 pm | West Lindsey District Council \(west-lindsey.gov.uk\)](https://www.west-lindsey.gov.uk/agenda/2021/11/02/630pm)

2 Prosperous Communities Committee Decision

- 2.1 The preferred designation option selected by Prosperous Communities Committee, which will be considered within the consultation is option 1, shown in the table below:

	Wards	Implementation	% of the PRS	No of PRS	Criteria	Benefits	Issues
Option 1	5 wards Designation 1 followed by designation 2	Phased approach: designation 1 can be agreed locally (<20%) designation 2 must go to MHCLG	48.54%	4,392	Poor property conditions ASB (1) Deprivation (1)	Allows the first sub-20% to be implemented to start dealing with issues in the ward with most challenges The designation areas are all wards so easy to understand	Designation 2 needs approval by MHCLG There needs to be a short gap being designating the two areas
Option 2	5 wards + New Toft (Designations 1+ 2 + 3)	All designations agreed at the same time and must all go to MHCLG	49.17%	4,449	Poor property conditions	All possible areas are covered and schemes start at the same time	Delays in the approval by MHCLG Mix of areas - wards and villages may cause questions A lot of extra work for only 57 properties
Option 3	5 wards + New Toft (Designations 1+ 2 + 3)	Phased approach: designation 1 can be agreed locally (<20%) then designations 2 and 3 must go to MHCLG together	49.17%	4,449	Poor property conditions ASB (1) Deprivation (1)	Allows the first sub-20% to be implemented to start dealing with issues in the ward with most challenges All possible areas are covered	Delays in the approval by MHCLG Schemes start at different times Mixes different designation area types (e.g. wards and village)
Option 4	5 wards Designations 1 + 2 together	Designations 1 and 2 can be agreed at the same time and must all go to MHCLG	48.54%	4,392	Poor property conditions ASB (1) Deprivation (1)	All qualifying wards are covered by the scheme	New Toft is not included Delays in the approval by MHCLG means a large gap in coverage of Gains SW

- 2.2 The Council Cadence Innova to deliver the initial work on whether a selective licensing scheme is feasible based on the data and information available. As a result a full report has been provided by Cadence and is within the link for the Prosperous Communities Committee paper.

3 Financial Information

3.1 A detailed financial model has been developed, which sets out scenarios and options in relation to the different designations. This model has considered all of the relevant costs associated with processing a licence and has been informed by the work undertaken within the previous scheme, alongside information from other similar schemes. The financial model covers both designations and works on the assumption that designation 1 needs to break even, regardless of whether designation 2 is delivered. The key information to note in relation to the financial model is as follows:

- The licence fee is proposed to be £675 (previously licensed landlords will be charged the same fee as paid in the previous scheme of £375).
- 15% early bird reduction (£573.75) in first 3 months for new applicants in each designation. Assumed 40% of applicants will access this.
- 85% of applications are required in order to break even.
- An inspection rate of 50% of properties is proposed.
- Provision has been made within the FTEs for an additional 0.5 FTE ASB officer and 0.5 FTE Data Analyst spread across both designations.
- The use of Civica (Flare), will need to be made more efficient in terms of the licensing processes. This work has started to be undertaken by officers and is achievable. This process has not been identified to be developed in CRM so will be implemented in Flare first building on the processes used for the first scheme. As the new CRM system comes online consideration will be given to where any further efficiencies can be made.

3.2 The feasibility work also makes the following recommendations:

- That efficiencies will need to be realised (e.g. within the Civica system or by improvements to the process) to be able to deliver the service within the realistic FTE levels.
- If 85% of possible applications are received and a 25% improvement of processing time can be made it provides some flexibility within the scheme in regards to the staffing resource available.
- The number of FTEs required does not take into account the existing resource. Additional FTEs will need to be employed on a flexible basis to deliver the different aspects of the scheme.

3.3 The overall scheme costs are outlined within the table below. The figures within the table are based on the estimates made for the scheme currently and may be subject to change depending on the outcome of the consultation or through further refinement of the scheme.

Breakdown of estimated PRSL costs*

5 Year Running Costs	Designation 1 (est. 1,489 licences)	Designation 2 (est. 2,244 licences)	Designation 1 & 2 (est. 3,733 licences)
Staffing Costs	£384,194	£677,465	£1,061,659
Other Running Costs	£475,971	£615,170	£1,091,140
Consultation + Marketing	£18,000	£27,000	£45,000
Total Costs	£878,165	£1,319,635	£2,197,799
Estimated Income	£890,517	£1,341,875	£2,232,392
Recovery	£12,352	£19,740	£32,092
Recovery %	1%	2%	1%

*Based on a variable team year on year and 85% of current application processing time (a reduction of 15% from original processing time)

3.4 The key points for Committee to note are as follows:

- Designation 1 will be mitigated by the efficiencies within processing and in securing more than 85% of applications. Both of these are likely to happen.
- The limited surplus shown within designation 2 and designations 1 and 2 will be used as a contingency or allocated to the relevant work areas during the scheme. For example, this could be for additional staff or for additional systems development.
- The upfront costs of £126, 921 (see below) are accounted for within the delivery of designation 1. If no designation proceeds then there is a financial risk to the Council as this will not be recoverable.

3.5 As the overall cost of the scheme is based on the income that will be derived from it, there is a requirement for the Council to make available funding to initiate its development subject to approval.

3.6 There is £38,700 already available within the revenue budget to contribute towards this work. Therefore Corporate Policy and Resources Committee are asked to agree that a further budget of £126,921 be made available in to enable completion of the designation and submission elements of the project.

- The designation element of the work will cost £122, 860
- The submission element of the work will cost £42,761

3.7 If, after the approved consultation, it is determined that no scheme should go ahead at all, then the Council will have incurred costs relating to the designation and consultation work which totals £122.9k. With the £38.7k of funding available in the revenue budget, £84.2k will be met

from the General Fund Balance. The remaining amount approved for the submission element would not be required.

- 3.8 Detailed information relating to the content of phases 2 and 3 can be found in appendix 1. The submission element of the work will only be funded should the Council agree to proceed with a designation following on from the consultation and subsequent committee report. The specific details of what is being procured are available, but will be marked private and confidential for the purpose of both committees.

4 Summary

- 4.1 Based on the clear evidential case, Prosperous Communities Committee have approved that the Council should consult upon proposals for making a selective licensing designation for the Gainsborough South West Ward along with four of the districts other wards, being Gainsborough North; Wold View; Hemswell and Market Rasen.
- 4.2 In order to do this, Corporate Policy and Resources Committee are asked to agree that phase 2 and 3 of the work are undertaken and approve the relevant spend in relation to this, noting the risks of any scheme not being approved.

END

