

North Yorkshire Council

Report to Executive

23 January 2024

Selective Licensing Scheme for privately rented properties in parts of Scarborough

Report of the Corporate Director Community Development

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to:

- Report on the findings of the public consultation on the proposal to designate a scheme for the Selective Licensing of privately rented properties within parts of the Castle, Falsgrave and Stepney and Northstead divisions of Scarborough.
- Recommend the designation of the scheme based on the findings of the consultation.
- Report on the proposed licence fees and a number of policy changes to the existing policy for Selective Licensing following the consultation.
- Give consideration to exploring options for the development of a wider Neighbourhood Renewal approach to complement the Selective Licensing scheme.
- To note the study, which has been commissioned to assess the private rented sector across North Yorkshire, which will inform our future approach and actions to improving the sector

2.0 INTRODUCTION

- 2.1 In August 2023, the Executive Member for Culture, Arts and Housing granted approval for officers to undertake a period of public consultation on the proposal to designate a scheme for the Selective Licensing of privately rented properties within parts of the Castle, Falsgrave and Stepney and Northstead divisions in Scarborough.
- 2.2 This report provides a summary of the consultation responses (see **Appendix A**). It seeks approval for the introduction of Selective Licensing in parts of the Castle, Falsgrave and Stepney, and Northstead divisions. The report seeks approval of the fee structure for the scheme.
- 2.3 The report also seeks approval for some changes to the Council's existing Selective Licensing policy, as a result of the consultation.

3.0 BACKGROUND TO THE PRIVATE RENTED SECTOR IN NORTH YORKSHIRE

- 3.1 The private rented sector in North Yorkshire is home to over 51,000 of our households, amounting to just under 19% of all households in the county.
- 3.2 It's an extremely important form of tenure providing, in many cases, "affordable" housing to many low income and vulnerable households in North Yorkshire. It is a very diverse sector, ranging across all housing types and accommodating a wide demographic and socio-economic range of the population. At one end of the scale, there are Houses in Multiple Occupation (HMO's) providing accommodation with shared facilities and catering for people on the lowest of incomes nationally. At the other end of the scale, there are large executive

homes in highly desirable areas, providing short term accommodation for affluent households. In between, there is every other type of housing provided by the sector.

- 3.3 The stock profile of the sector is characterised with having higher proportions of older stock, which is in poorer condition than other tenures. 23% of private rented homes were classed as “non-decent” homes by the English Housing Survey compared to 11% of social rented homes. A non-decent home is one with a hazard or immediate threat to a person’s health, not in a reasonable state of repair, lacking modern facilities or not effectively insulated or heated. Within Yorkshire and the Humber, the proportion is far higher with 37% of private rented homes being classed as non-decent.
- 3.4 Non-decent homes are also more likely to be found in more deprived areas, where there is older stock, and which are home to more low income and vulnerable tenants. As a result, the proportion of non-decent homes is likely to be higher within these areas.
- 3.5 There is a very strong correlation between poor housing and health inequalities. For example, poor insulation and the lack of proper heating will impact adversely on a person’s health, especially if, as a result, there is damp and mould, which can have a very devastating effect. In addition, many tenants and residents of private rented properties can also suffer from mental health issues brought on both by poor housing conditions and also insecurity of tenure.
- 3.6 In terms of landlords, there are many professional landlords with large portfolios of properties, including many of our country estates, their numbers are dwarfed by the huge amount of small landlords with no more than a handful of properties to rent, and in many cases only one. It is estimated that they make up over 90% of all landlords operating nationally and provide in the region of 80% of rented properties. Within North Yorkshire, there are probably in the region of 15,000 landlords with rented properties.
- 3.7 Despite its scale and importance, the private rented properties are not subject to any national regulatory framework, apart from mandatory licensing of HMO’s, which only comprises of a small proportion of the sector. Instead, private landlords are subject to a myriad of separate piecemeal regulatory requirements, which can be very difficult to navigate and understand. As a result, many smaller landlords are not always aware of the regulatory requirements, which results in properties being poorly managed.
- 3.8 The Council has an important and wide ranging role to play in terms of the private rented sector. Local authorities have a duty under Part 1 of the Housing Act 2004 to keep housing conditions under review and identify action needed to remedy issues identified. This will range from taking informal enforcement or advisory action, to taking formal enforcement action, which in some cases can result in the Council closing the property through the use of Prohibition Orders and in some cases prosecution of landlords.
- 3.9 On average the Council carries out in the region of 470 inspections of privately rented properties per year and serves in the region of 340 notices or informal schedules (Note this does not include inspection carried out under Selective Licensing). Inspections usually occur as a result of a complaint received from a tenant or a third party organisation in respect of the property, so, in effect are a reactive measure. On average, around 200 Category 1 hazards within the Housing Health and Safety Rating System (HHSRS) are resolved by the Council each year (outside of Selective Licensing). Category 1 hazards are those where there is a significant risk to the health and safety of tenants and residents. Category 1 hazards include electrical safety, fire safety, heating and insulation, damp and mould and slips, trips and falls. In total, there are 29 Category 1 hazards.
- 3.10 In addition, the Council also provides advice and support to private landlords and engages with them in a range of ways including regular landlord forums and landlord training. The

Council also works in partnership with the National Residential Landlords Association (NRLA) to support landlords.

- 3.11 Overall less than 1% of all private rented properties are inspected by the Council each year. This contrasts with the 23% of all private rented properties, which are deemed to be “non-decent”.

4.0 BACKGROUND TO SELECTIVE LICENSING AND THE PROPOSAL

- 4.1 Selective Licensing of private rented properties is a key tool to help better regulate management standards and improve property conditions within private rented accommodation, in areas where there are high concentrations of private rented properties and evidence of problems within the sector. In order to designate an area for Selective Licensing, the Council has to undertake a business case to demonstrate the evidence for a designation and to undertake a detailed programme of public consultation.
- 4.2 Where an area has been designated for Selective Licensing, all privately rented properties are required to apply for a licence in order to rent out their properties. Failure to apply for a licence, will result in enforcement action being taken, and ultimately prosecution of the landlord. The purpose of Selective Licensing is primarily to improve both property conditions and management standards with the private rented sector. As a result, it will contribute to the improved health and wellbeing of all tenants and residents of private rented properties within the designated area.
- 4.3 To designate an area for Selective Licensing, it has to have a high concentration of private rented properties, and has to meet at least one of the conditions as set out by the Government. These are:
- Poor property conditions
 - High levels of deprivation
 - Low demand
 - High levels of anti-social behaviour
 - High levels of crime
 - High levels of migration
- 4.4 A large part of Scarborough town has a very high concentration of privately rented properties (over 50% of the housing stock, privately rented), It also meets two of the conditions; namely poor property conditions and high levels of deprivation. This is based on research previously carried out in 2015 and updated more recently following the release of the 2021 Census information.
- 4.5 On this basis, the former Scarborough Borough Council designated three separate Selective Licensing schemes in Scarborough between 2017 and 2022, two of which are still in operation. The designations are for a five year period, after which the authority has to go through the full process of re-designation, should they wish to renew a scheme.
- 4.6 No other part of North Yorkshire has ever designated an area for Selective Licensing. However, a “State of the Nation” report has been commissioned by the Council to provide an assessment of the private rented sector across the whole authority. This will enable us to assess whether any other locations within North Yorkshire would be deemed suitable for consideration of a Selective Licensing designation.
- 4.7 The assessment will focus on:
- Understanding the state of the current PRS stock across North Yorkshire
 - Highlighting the impact of poor housing on health and social care costs
 - Providing current market intelligence and market trends on PRS across North Yorkshire

- Identifying locations where there are concentrations/issues of PRS within North Yorkshire to enable resources and actions to be targeted most effectively

4.8 This will ensure that the Council is best able to meet the challenges within the private rented sector and have the proper resourcing in place to meet those challenges. Should the study identify other locations within North Yorkshire, which may be suitable for a Selective Licensing designation, then the Council will carry out a more detailed assessment of the location and develop a business case to support the development of a designation.

4.9 This proposal is for the renewal of the initial two Selective Licensing designations, one of which expired in June 2022 and the other one is due to expire in May 2024.

5.0 BENEFITS OF SELECTIVE LICENSING

5.1 There are a wide range of benefit to undertaking a Selective Licensing designation, which are outlined below as follows:

5.2 **Improved Property Conditions:** Without Selective Licensing, officers are only able to inspect privately rented properties when they receive a complaint from a tenant/resident or agency/organisation about the property or landlord. Only a small proportion of tenants complain to the Council when they have a problem with their property or landlord. In effect, it is a reactive service.

By inspecting all licensed properties as an integral part of the licensing process, this enables us to take a proactive approach and address issues of disrepair and poor property conditions generally. It enables the condition of all privately rented properties to all be brought up to an acceptable standard in a designated area and to be free from hazards.

Evaluation of both the Scarborough North and Scarborough Central selective licensing designations recorded that almost 1700 Category 1 hazards (defined as being a risk to health and safety of tenants and residents) were identified and resolved and a further 7000 general disrepair issues were identified and resolved.

5.3 **Improved Management Standards:** Whilst many landlords manage their properties in a professional manner, there are a significant proportion of landlords who fail to manage their properties in an appropriate manner. This is manifested in a number of ways, for example, through being ignorant of wider regulatory requirements, not inspecting properties on a regular basis or not issuing appropriate tenancy agreements.

Through the licensing conditions and with meeting and communicating with landlords as part of the licensing process, officers are able to outline to landlords the level of management standards that are required when managing a property. This has led to improved management standards within the Selective Licensing designations, with some landlords now taking on the services of a managing agent to manage their properties, as a result, to ensure they are best able to meet the required standards

5.4 **Benefits to Tenants and Residents:** With improved property conditions and improved management standards, there are obvious benefits for tenants and residents with Selective Licensing. It will ensure that their property is safe and free from hazards. It will ensure that disrepair issues are dealt with. It will also ensure that they have an appropriate tenancy agreement in place, which provides them with the necessary security of tenure. An added benefit is that for many tenants, they are now aware that they can contact the Council for advise and support, if they are experiencing problems with their property or landlord

5.5 **Benefits to Landlords:** Whilst the benefits to landlords may not at first glance be apparent, there are some clear benefits for landlords in being a licensed property. Firstly, it will ensure

that they are managing their property in an appropriate manner and would be less likely to fall foul of any regulatory or legal issues, which could have serious repercussions.

It also provides them with access to advice, guidance and support from both the Council and other organisations on a whole range of landlord and property issues from ensuring that they have the right tenancy agreement or other documentation to ending a tenancy in an appropriate and legal manner. Providing advice and support on addressing Anti-social Behaviour caused by their tenants and visitors is also something that the Council has been able to provide to landlords through a joint working approach with other agencies such as the Police and Safer Communities.

- 5.6 **Benefits to the wider community:** There are significant benefits of Selective Licensing for the wider community in a designated area. As mentioned above, being better able to address anti-social behaviour from privately rented properties is one obvious benefit. In addition, improving the condition of properties will also be an obvious benefit within the locality, especially when improvements to the external condition of properties is undertaken, when required.

6.0 SUMMARY OF THE PROPOSED AREA

- 6.1 The proposed area covers parts of the Castle, Falsgrave and Stepney and Northstead divisions in Scarborough. The proposed area broadly combines the original two selective licensing designations known as Scarborough North and Scarborough Central, but also including some surrounding streets following analysis of recent data. The area covers Scarborough town centre and the surrounding residential areas. In addition, it also includes most of the tourism heart of Scarborough.
- 6.2 There is a real mix of retail, commercial, residential and leisure uses within the proposed area, and it is not a homogeneous neighbourhood. On many of the streets within the area, guest accommodation and residential accommodation are mingled together, and with the recent rise of holiday lets within the area, it can be hard to distinguish between holiday accommodation and private rented properties.
- 6.3 Within the proposed area 56% of households are privately rented with some streets having over 70% of households renting privately. In addition, there are 50 licensed Houses in Multiple Occupation (HMO's) within the proposed area. With such a concentration of privately rented properties, this can have a significant impact on the overall proposed area, leading to a range of socio-economic problems, such as high levels of deprivation, poor property conditions and high levels of crime and anti-social behaviour. Such problems can also risk in reduced investment on other commercial, retail and leisure uses, which can result in a significant negative impact on Scarborough town, not just within the town centre and proposed area, but can also ripple out to the wider area.
- 6.4 As stated above, the proposed area covers most of the town centre and neighbouring residential areas. It ranges from Trafalgar Square and North Marine Road in the North Bay, through to Eastborough in the South Bay area. It also includes streets off Victoria Road through to Falsgrave Road.
- 6.5 Based on 2021 census figures there are approximately 4000 households within the proposed area, of which approximately 2250 are privately rented, representing 56% of all households in the proposed area. It is the largest concentration of privately rented housing within North Yorkshire. By contrast, across the whole of North Yorkshire only 18.7% of the housing stock is privately rented,
- 6.6 Approximately two thirds of the housing stock in the area is comprised of flats, compared with 20% across the whole of North Yorkshire. A high proportion of these were former guest

houses and larger single occupied households, which have been converted into blocks of flats over the last 40-50 years. A significant proportion of these were converted prior to the introduction of Building Regulations in 1991. The remaining third of property types largely consist of pre-1919 terraced houses. Overall, there is very little housing stock in the proposed area, which has been built since 1945. A significant proportion of the stock is solid wall construction with poor insulation. In addition, around 3.5% of the private rented stock is without central heating, which is twice the average for North Yorkshire.

6.7 The proposed designation broadly covers the former Scarborough North designation (ended in 2022) and current Scarborough Central designation (due to end in May 2024). Evaluations of both schemes have been carried out.

6.8 **Scarborough North key findings:** The key findings of the Scarborough North evaluation were as follows:

- 543 licences were issued, which covered around 1200 individual privately rented properties within the licensing area. This was actually significantly higher than an original forecast of 463 licences that would be issued for approximately 1000 individual privately rented properties prior to the start of the designation.
- 100% of all licensed properties inspected, with a total of 808 Category 1 hazards identified and resolved and a further 5000 other issues such as general disrepair and minor compliance issues identified and resolved.
- Five landlords prosecuted for failing to apply for a licence and one prosecution for breach of licensing conditions, resulting in a £35,000 fine. A further 20 formal notices were also served on licensed properties across the licensing period in respect of other housing related matters and using other powers within the Housing Act.

6.9 **Scarborough Central key findings:** The key findings of the Scarborough North evaluation were as follows:

- 506 licences were issued covering around 1100 individual licensed properties, as opposed to an original forecast of 415 licences covering around 900 individual licensed properties.
- 100% of all licensed properties inspected, with a total of 871 Category 1 hazards identified and resolved, and a further 3700 other issues identified and resolved.
- Four prosecutions for either not applying for a licence or for a breach of licensing conditions. A further 10 formal enforcement notices were also served.

6.10 Overall across the two licensing areas there were a total of 1679 Category 1 hazards identified and resolved within 1050 licensed properties and 2300 individual privately rented households. This equates to there being a Category 1 hazard in 3 out of every 4 private rented properties, which far outstrips the national average of 23% of privately rented homes being deemed non-decent. Selective Licensing has, therefore, ensured the health and safety of a significant number of households, many of which would be vulnerable, within parts of Scarborough.

7.0 RATIONALE FOR THE SCHEME

7.1 The rationale for the designation is based on having a high concentration of privately rented properties and meeting one or more of the factors outlined in the Government guidance published in 2015 for designating an area for selective licensing:

- 7.2 Data from a range of sources including the 2021 Census, the Index of Multiple Deprivation 2019 and the Council's own data sources showed that there would be justification for undertaking a Selective Licensing designation based on Poor Housing Conditions and High Levels of deprivation
- 7.3 **Poor Housing Conditions:** 56% of the stock within the proposed area are privately rented, with a high proportion of the stock being flats, many of which were poorly converted from guest accommodation or larger residential accommodation. In the 2019 Index of Multiple Deprivation (IMD) all of the area was within the most deprived 2% in England on the Living Environment (Indoors) Domain, which is a key indicator of poor housing conditions.
- 7.4 **High levels of deprivation:** The vast majority of the area is within the most deprived 15% on the IMD (2109), with much of the area being within the most deprived 2% on the IMD.
- 7.5 In addition, all of the area is within the most deprived 20% on most of the key domains in the IMD including Income, Employment, Health, Crime, Education and Living Environment, with again a large part of the area being within the most deprived 5% on these domains.

8.0 CONSULTATION PROCESS

- 8.1 The consultation took place from 1st September to 10th November for a period of 10 weeks, which was the minimum statutory requirement for consultation on a proposed Selective Licensing designation
- 8.2 The consultation consisted of the following:
- A resident questionnaire, which was hand delivered to approximately 4200 households within the proposed area and surrounding streets
 - A landlord questionnaire, which was sent out to approximately 650 landlords and managing agents operating in the Borough
 - A series of community drop in events within the proposed area
 - A series of stakeholder events and discussions with individual stakeholders
 - Consultation with the local members representing the respective divisions of Castle, Falsgrave and Stepney and Northstead in Scarborough.

9.0 SUMMARY OF CONSULTATION SURVEY FINDINGS

- 9.1 A combined total of 355 completed questionnaires were received out of approximately 4850 representing an overall response rate of just under 7.5%. Of these, 299 completed questionnaires were received from residents and businesses representing a response rate of 7%. In addition 56 completed questionnaires were received from landlords, representing a response rate of 8.5% from landlords.
- 9.2 Of total respondents, **212 (59.7%) either agreed or strongly agreed** with the proposal that the Council should introduce a Selective Licensing scheme for privately rented properties within the proposed area, whilst **93 (26.2%) either disagreed or strongly disagreed**. The remaining 50 (14.1%) of respondents neither agreed nor disagreed with the proposal.
- 9.3 For residents and businesses **208 (69.6%) either strongly agreed or agreed** with the proposal that the Council should introduce a Selective Licensing scheme for privately rented properties within the proposed area, whilst **48 (16.0%) either disagreed or strongly**

disagreed. The remaining 43 respondents (14.4%) neither agreed nor disagreed or did not answer the question.

- 9.4 By contrast only **4 (7.1%) landlords either agreed or strongly agreed** with the proposal that the Council should introduce a Selective Licensing scheme for privately rented properties within the proposed area, whilst **45 (80.0%) either disagreed or strongly disagreed.** The remaining 7 (12.9%) respondents neither agreed nor disagreed with the proposal.
- 9.5 The questionnaire also asked a range of other questions in respect of whether respondents had experienced problems from privately rented properties within the area. 190 residents (63% of resident responses) stated that they had done so, with the biggest issues recorded being in respect of nuisance and/or anti-social behaviour, rubbish dumping/fly tipping and poor condition of properties.
- 9.6 **Resident Comments:** The survey also provided the opportunity for residents to provide general comments on the proposal. 179 respondents provided further comments on the proposed scheme. A summary of the comments identified the following most common themes raised:
- A good idea/support the proposal
 - Will require regular inspections and enforcement to work
 - Will increase rents
 - Money making scheme/waste of time and money
 - ASB concerns with existing properties
 - Air BNB's/Holiday Lets concerns
 - Risk of landlords selling properties
 - Wrong area or should be extended to other areas
 - Concerns over fly tipping/rubbish dumping and condition of back alleys

- 9.7 **Landlord Comments:** The survey also provided the opportunity for landlords to provide general comments on the proposal. 46 landlords provided further comments on the proposed scheme, of which the main ones made were:
- Fees are too high and unfair
 - Unfair tax on landlords
 - Will lead to higher rents
 - Should deal with bad landlords and not punish good landlords
 - Properties will be sold or converted to holiday lets
 - Money making scheme for Council
 - Already had Selective Licensing in this area, so not required

10.0 SUMMARY OF STAKEHOLDER FEEDBACK

- 10.1 Responses were received from a number of stakeholders, details of which are outlined below as follows:
- 10.2 **North Yorkshire Fire and Rescue Service (NYFRS):** NYFRS stated that they were in support of the proposal. However, they requested that we should ask that premises must have a suitable and sufficient Fire Risk Assessment as part of the licence application.

NYFRS advised that they were finding numerous premises when carrying out joint inspections that have not got a FRA or one that is totally insufficient.

- 10.3 **North Yorkshire Police:** NYP stated that they were in support of the proposal

- 10.4 **Propertymark:** Propertymark, who are a professional body representing property agents, including letting and estate agents across the country, provided a very detailed and extensive response raising a number of key points and suggestions. Propertymark did not believe that licensing is the best method to achieve our aims in respect of the private rented sector, and would prefer a regulatory framework, which seeks to educate landlords in improving their stock rather than punitive measures that are difficult to enforce and only punish compliant landlords letting those that require improvements to go undetected.

However, they stated that if the scheme is approved, the council should consider providing an annual summary of outcomes to demonstrate to tenants, landlords and letting agents' behaviour improvements and the impact of licensing on the designated area over the scheme's lifetime.

They also requested that if the scheme was approved, then a discount on the proposed fees should be made available to their members.

- 10.5 **National Residential Landlords Association (NRLA):** The NRLA expressed concern that it was not within the remit of landlords to be able to effectively address tenants behaviour generally and to be able to resolve tenants problems, such as mental health issues or drug and alcohol dependency. They further expressed concern that it may result in problems being moved around Scarborough.

It should be noted that in respect of health inequalities, this is something that the Council will be assessing on a wider scale as part of the "State of the Nation" report commissioned by the Council into the private rented sector across the whole authority.

- 10.6 A more detailed summary of the main issues raised in the consultation and how they have been considered can be found in **Appendix A** to this report.

11.0 PROPOSALS

- 11.1 Based on the outcomes of the consultation and taking into account the findings from the surveys, wider comments and stakeholder feedback, the following is proposed:

- 11.2 **Designation:** Given the outcome of the consultation with the majority of respondents in favour of the proposal, it is recommended that a designation be made for a scheme of Selective Licensing within the proposed area.

Should Executive agree to the introduction of Selective Licensing in the proposed area then the Council will need to issue a Public Notice of Designation under sections 80 and 83 of the Housing Act 2004. This notice shall allow for the designation of a Selective Licensing scheme in the area identified.

Approval of the Selective Licensing scheme by the Council will enable the Public Notice to be issued. Following approval there has to be a minimum period of 3 months before the designation can take effect. It is likely therefore that the scheme would become operational from June 2024

A copy of the Public Notice is included as **Appendix B** to this report. A map of the proposed area is also included as **Appendix C** to this report.

- 11.3 **Policy:** There is an existing policy in place for Selective Licensing from the former Scarborough Borough Council, which will be revised to be a North Yorkshire policy. Whilst the policy will remain broadly the same as before, the following changes will be required

- Removal of the Scarborough North and Scarborough Central Selective Licensing designations and their respective street lists. The Scarborough North designation expired in 2022 and the Scarborough Central designation will expire on 32st May 2024.
- Inclusion of the Scarborough town designation and respective street list
- Any relevant changes to the Fee Schedule (outlined below) and Licensing Conditions, which may be required
- Any changes for it to become a North Yorkshire policy and inclusion of a section with narrative to enable it to cover any other parts of North Yorkshire in the future. Note that, inclusion of any future schemes would require the policy revising at that point in time anyway.

The policy has been attached as **Appendix D** to this report

- 11.4 **Proposed Fee Structure:** As was the case with previous designations, the Council needs to ensure that fee income received is at a sufficient level to adequately resource the scheme (and ensure that it can delivered in a meaningful way) and the need to ensure that fees charged do not place an unreasonable burden on landlords and tenants

A great deal of consideration has again therefore been given to this issue. Fees have been carefully calculated based on actual hourly rates for each proposed element of activity within the administration of the scheme. This incremental approach to setting the fee, undertaken with the support of the Council's finance team, means that going forward the Council is able to fully justify the fee being charged.

It is proposed that:

- A fee of £695 is the base licence fee. This is the standard licence charge for a property that is occupied by a single household.
- An additional £100 is charged for every additional household within a dwelling up to a maximum of £1695 (e.g. a cap at any building that contains over separate 10 households).

As per previous designations it is proposed that the following range of discounts are approved. These include:

- A £50 discount per licence for members of nationally approved landlord organisation, which would be the NRLA, Propertymark and Safeagent.
- A £50 discount for multiple licence applications.
- A £50 'early bird' discount for all application submitted and fully completed within the first 3 months of the designation.

In addition, as this is essentially a renewal of two previous schemes for the main part, a further discounted fee of £435 is proposed for properties, which were licensed in the previous designations of Scarborough North and Scarborough Central, where it is the same licenceholder, who held the licence previously for that property.

The reason for this, is such properties should have complied with all licensing conditions and undertaken any necessary works following inspection and will also be known to the authority. As a result, there should be less work involved in undertaking the licensing and inspection of these properties.

The above-mentioned fee levels are only relevant to the scheme at the date of the commencement of the designation and shall be reviewed annually in line with the Councils Fees and Charges policy.

11.5 **Scheme Costs:** The scheme is based on a full cost recovery approach in line with the Council's Fees and Charges Policy. A financial model for the the scheme has been developed, which is based on the actual costs of administering and managing the scheme. The total cost of the scheme amounts to £661,660 and the anticipated licence fee income generated from the scheme matches the cost of providing the service and is therefore revenue neutral for the Council. It has been calculated that there are 1200 licensable properties within the proposed area of designation and that these shall generate a total fee income of £661,660, taking into account all discounts.

The financial model was developed for the previous Selective licensing schemes, which have, in practice, proved to be cost neutral, with the licence fee income meeting the full costs of the licensing scheme. The costs also, take into account, any annual inflationary costs over the course of the designation.

11.6 **Enforcement:** A key message that came across from the consultation from residents and landlords alike, was the importance of enforcement and that without effective enforcement the scheme will be toothless and fail to meet its aims. The key to effectively enforcing the licensing regime is the need for close and joined up partnership working with other agencies, particularly the Police and Fire Service. The Council already benefits from the existing structures to enable this to happen through its Community Impact Team. It is very much envisaged that the work of both licencing officers and enforcement officers shall be closely integrated with the Community Impact team to support delivery. Support has been given to this proposal from both the Police and Fire Service.

11.7 **Neighbourhood Renewal:** The consultation highlighted high degree of concern that residents had with rubbish dumping and fly tipping, and the poor external condition of properties. An evaluation of the initial designation (Scarborough North) in 2022, had also highlighted these concerns and recommended that the Council look at a more co-ordinated neighbourhood renewal approach to the area, with Selective Licensing concentrating on the rented property issues and other Council services and other partners developing a wider range of environmental improvements to the area.

12.0 CONTRIBUTION TO COUNCIL PRIORITIES

12.1 The scheme contributes principally to the following Council priority:

“Place and Environment: Good quality, affordable and sustainable housing that meets the needs of our communities”

13.0 ALTERNATIVE OPTIONS CONSIDERED

13.1 A number of alternatives were considered as options to the designation of Selective Licensing. An appraisal of each of these options is outlined below:

Option	Key Details	Assessment
Undertake Landlord Accreditation and Training	Have had landlord accreditation scheme for a number of years, but only about 30 landlords have ever joined, out of over 600 known landlords in the Borough	Only around 5% of local landlords joined our accreditation scheme and no more than 10% attended forums and events. These were also the more professional landlords who manage their properties appropriately.

	<p>We also have a twice yearly landlord forum run jointly with the NRLA plus other sessions for landlords, for example Universal Credit seminars. These event are usually attended by around 20—50 landlords</p>	<p>The vast majority of landlords do not engage for various reasons and do not benefit from accreditation and training as a result.</p>
<p>Introduction of Additional Licensing scheme</p>	<p>The Council ran an Additional Licensing scheme for smaller HMO's from 2013 to 2018, which broadly covered the geographical areas for Selective Licensing.</p> <p>In practice, this captured only a small number of extra properties within these areas and the vast number of private rented properties in the area did not meet the criteria for additional licensing</p>	<p>Additional Licensing only covers a small number of properties within the Selective Licensing areas and will not tackle the scale of problems within the private rented sector in these areas</p>
<p>Targeted use of enforcement powers such as Empty Dwelling Management Orders and Interim Management Orders</p>	<p>The council has considered using such powers for individual properties where all other options have been exhausted.</p> <p>However, due to the resource intensive nature of this approach and the difficulties in identifying a suitable management agent to take on such properties, only a very few IMO's were undertaken and no EDMO's were undertaken</p>	<p>This is only suitable as a last resort when all other alternatives have been exhausted and would only apply to a very limited number of properties.</p> <p>It would not address the scale of problems within the private rented sector</p>
<p>Co-regulation with other organisation</p>	<p>The Council did receive an approach from an organisation called "Home Safe" when consulting on our first designation in 2016. "Home Safe" were working with some other councils on a co-regulation approach.</p> <p>This approach was considered in detail by the Council when considering the initial Selective Licensing designation. However this was rejected for a number of reasons, the principal one being that it did not fit with the model envisaged by the Council for selective licensing. Key to this was the partnership working with other key agencies through the Community Impact Team and the commitment to inspect every property within the Selective Licensing area</p>	<p>Co-regulation would not meet the Council's aims and approach to Selective Licensing, which would involve close partnership working with key local agencies and the need to inspect all properties.</p>

13.2 None of the alternative options considered would be effective enough in their own right and collectively to tackle the problems within the private rented sector in the proposed area. The Council's approach is to identify every private rented property within the proposed area and to ensure that once licensed they will all be inspected.

14.0 IMPACT ON OTHER SERVICES/ORGANISATIONS

- 14.1 The overall operation of the scheme would have limited impact on other Council services, apart from the requirement of Legal Service to undertake prosecutions as and when required of landlords who either fail to apply for a licence or breach licensing conditions. With previous licensing designations, there has been in the region of 8-10 prosecutions of landlords undertaken.
- 14.2 Should the Council decide to undertake a more co-ordinated neighbourhood renewal approach in the area to complement the licensing scheme, then this would have impact on other Council services such as Street Scene, Waste Management and Planning in terms of possible costs and resources

15.0 FINANCIAL IMPLICATIONS

- 15.1 The draft policy proposes a fee structure to pay for the administration of Selective Licensing.
- 15.2 Fee income derived from the scheme shall be used to pay for its administration. It is estimated that there are 1200 licensable properties within the proposed area of designation and that these shall generate a fee income of income of around £661,660. These funds shall be used to cover additional staffing and management costs associated with the scheme. Staffing costs shall primarily be front loaded within the initial two years of the scheme.
- 15.3 The scheme has been based on a full cost recovery approach in line with the Council's Fees and Charges policy, and also takes into account any annual inflationary increase in costs. The licence fee will be adjusted on an annual basis in line with the Fees and Charges policy.

16.0 LEGAL IMPLICATIONS

- 16.1 The Housing Act 2004 gives Local Authorities power to designate the whole or any part of their area as subject to a selective licensing regime.
- 16.2 A designation for selective licensing may be made under Section 80 of the Housing Act 2002 where specified conditions are satisfied. These conditions area explored at paragraph 7.0 of this report.
- 16.3 Before designating an area, the Council must carry out a consultation and take account of any representations received. The consultation responses are considered within Paragraphs 9 and 10 and Appendix A of this report.
- 16.4 A designation may be made for up to 5 years. The designation cannot come into force until three months after it is made. A notice of the designation must be published within seven days of the designation being confirmed. All those consulted upon the proposed designation should be notified within two weeks of the designation being confirmed. Throughout the period of the notice the Council shall review the effectiveness of the designation to assess whether it is achieving its desired outcomes to support the uplift of the area.

17.0 EQUALITIES IMPLICATIONS

- 17.1 An Equality Impact Assessment has been attached as **Appendix E** to this report. The introduction of a Selective Licensing scheme should have a positive impact in terms of

Equalities and Diversity issues and along with other interventions support the uplift and regeneration of the designated area.

18.0 CLIMATE CHANGE IMPLICATIONS

18.1 A Climate Change Impact Assessment has been attached as **Appendix F** to this report. Overall the designation of a Selective Licensing scheme should have a small positive impact for Climate Change in terms of landlords requiring to produce EPC certificates, and provide improved heating systems where required in order to meet compliance

19.0 RISK MANAGEMENT IMPLICATIONS

19.1 The key risks with the scheme are as follows

Risk	Potential Impact	Mitigation
Legal Challenge/Judicial Review	<p>Could delay implementation of scheme through legal process</p> <p>Legal costs incurred</p> <p>Adverse Publicity</p> <p>Worst case scenario may result in scheme not being implemented</p>	<p>Ensure all statutory requirements and guidance are fully met</p> <p>Ensure that the consultation programme meets all statutory requirements and guidance</p>
Landlords avoid licensing properties/fail to apply	<p>Fails to solve problems in PRS: "bad" landlords continue to operate</p> <p>Resources will be used in identifying unlicensed properties rather than improving properties</p> <p>Adverse publicity: lose good will of "good" landlords</p> <p>Fee income projections not met</p>	<p>Ensure scheme is very well publicised and landlords are informed during lead in time</p> <p>Use all data sources to identify PRS properties and landlords</p> <p>Offer "early bird" discounts and incentives to encourage early applications</p> <p>Undertake enforcement and prosecution where required and publicise</p>
Fee income projections not met	<p>Viability will be affected and may be financial shortfall</p> <p>Adverse impact on wider service in terms of resources</p>	<p>Ensure license fees are set at rate to ensure scheme can be self-funded</p> <p>Identify as many licensable properties in advance by type to ensure business plan is as realistic as possible</p> <p>Ensure there is high take up of scheme (see previously) to maximise fee incomes</p>
Landlords sell properties or leave them vacant to avoid licensing	<p>Less PRS accommodation available</p> <p>Potential increase in homelessness</p> <p>Impact on vulnerable groups</p> <p>More empty properties</p>	<p>Work closely with landlords to promote benefits of scheme: provide support for landlords through training, fee incentives to landlords etc.</p>

Licence fee charge could result in increased rents	Increases in rents May go above Local Housing Allowance (LHA) rents in some cases, so could be top up for tenants	Licence fee, when taking potential discounts into account, would equate, in most cases, to a rental increase of less than £10 per month. Government recently announced that LHA rates would be increased
Staffing resources unable to meet the volume of work generated by the scheme	Delays in processing licensing applications and undertaking inspections Cash flow problems Adverse publicity	Fee income set at a level to cover cost of required staffing resources. Streamline back office processes including on-line application process and easier payment systems. Close working arrangements in place to support the scheme.
Lack of resources to carry out enforcement following inspections	Fails to solve problems in PRS: "bad" landlords continue to operate Adverse publicity: lose good will of "good" landlords	Joint inspections with police and fire and rescue and use of wider enforcement powers from other agencies Prioritisation system for enforcement following inspection. Resources available from wider Housing Renewal team to carry out enforcement
Selective Licensing area becomes stigmatised. Financial institutions unwilling to invest in the area for PRS	Landlords unable to raise finance/investment to improve properties and meet licensing requirements Landlords sell or leave property vacant	Lenders unlikely to base lending decisions on whether property is located within a Selective licensing area. Decisions usually made on risk and local market factors
"Good" landlords leave and replaced with "bad" landlords	Problems in the area will increase Will create extra enforcement work and strain on resources	Purpose of scheme intended to uplift standards. More likelihood of some "bad" landlords being replaced with "good landlords" or converting to other uses.
Displacement of tenants to other areas of Scarborough	Potential increase in problems in other areas Potential increase in demand for PRS in other areas and properties converted to PRS accommodation	Risk of displacement does not outweigh the need to uplift standards. Unlikely to see displacement outside of proposed SL areas due to nature of stock and local housing market No evidence of displacement from previous designations
Loss of PRS accommodation could	Increased strain on Housing Options team and other agencies	No evidence from national evaluations.

<p>cause increase in homelessness</p>	<p>Risk of increase in rough sleeping</p> <p>Increased strain on other accommodation providers including Social Landlords</p>	<p>Closely monitor any loss of PRS either through landlord actions or enforcement actions</p> <p>Liaise with Housing Options team and other agencies as early as possible when possible threat of closure is known</p> <p>Liaise with other PRS landlords in the scheme whose accommodation has been inspected and meets all licensing requirements.</p>
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20.0 REASONS FOR RECOMMENDATIONS

20.1 To enable the Council to improve the condition and management of privately rented properties within the designated area and to contribute to the wider improvement of the designated area

21.0 RECOMMENDATIONS

Executive is recommended to:

- i. Consider the feedback from the public consultation exercise on the Selective Licensing of private rented accommodation.
- ii. Approve the introduction of a Council led scheme for the Selective Licensing of Private Rented Accommodation in the area defined as 'Scarborough Town'. This area incorporates parts of the Castle, Falsgrave and Stepney and Northstead divisions as shown on the map in **Appendix C** of this report.
- iii. Instruct officers to prepare and publish a Public Notice of Designation under sections 80 and 83 of the Housing Act 2004.
- iv. Approve the proposed fee structure along with recommended discounts and exemptions as set out at paragraph 11.4 of this report.
- v. Approve the policy for the Selective Licensing of Private Rented Accommodation, and undertake any amendments as highlighted within this report.
- vi. Instruct officers to explore the potential for a wider neighbourhood renewal focus to complement the scheme, which would consider the involvement of other key Council service areas

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 Presenter of Report – John Burroughs, Housing Strategy and Development Officer

Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.

BACKGROUND DOCUMENTS: None

APPENDICES:

Appendix A - Summary of Consultation Responses

Appendix B – Public Notice for designation of the Selective Licensing scheme

Appendix C - Map of proposed designated area

Appendix D – Selective Licensing Policy

Appendix E – Equalities Impact Assessment

Appendix F – Climate Change Assessment