

Housing Select Committee			
Title	Private Rented Sector: Options Study for Selective, Additional or Whole Borough Licensing Scheme		
Contributor	Executive Director for Customer Services	Item	3
Class	Part 1 (Open)	17 December 2014	

1. Purpose

- 1.1 In the 10 years between the last two censuses, the private rented sector (PRS) in Lewisham has doubled in size. This reflects the impact of post 2008 restrictions on mortgage lending to first time buyers Whilst the majority of private landlords and agents provide a good service to customers, concerns have grown about conditions in the poorest section of the private rented sector and the exploitation suffered by some of the most vulnerable private tenants for whom choice is very limited. Lewisham is committed to making the best of its powers, tools and resources for enforcing against low standards amongst private landlords and lettings and managing agents.
- 1.2 This report considers the options for adding a new tool to Lewisham's regulation of the PRS, the legal framework for introducing discretionary licensing in the private rented sector. It presents information to Housing Select Committee on:
- Our strategic objectives for the private rented sector and the fit between those objectives and discretionary licensing as a tool;
 - available relevant data on the PRS;
 - task of gathering and analysing data to make a robust business case for discretionary licensing;
 - experience of boroughs that have adopted schemes;
 - likely costs and timescales for introducing any such scheme.

2. Recommendations

2.1 Housing Select Committee to note:

- discretionary licensing schemes that have been or are being introduced (appendix II) with lead-in times of between 2- 4 years;
- that any additional or selective licensing scheme that is introduced is time limited to a total period of 5 years;
- that income generated through licensing cannot be used to fund enforcement activity or generate a surplus/profit;
- that Newham Council provided £10m up front investment to cash flow the borough wide scheme and expect to recoup the £10m over 2 years;
- that the going rate across London for the mandatory license fee is £500 - £550 compared to £150 in Lewisham;
- that the estimated cost to the council tax payer of a borough wide licensing scheme in Lewisham is at least £1m per year;
- note the benefits of discretionary licensing, if the criteria under the Housing Act can be shown to be fulfilled and a scheme can be funded;

- note that a data warehouse of addresses of probable PRS properties in the borough is needed, whether or not discretionary licensing is introduced.

2.2 Housing Select Committee is asked to consider the following:

- recommend to Licensing Committee an increase to the existing mandatory HMO license fee to come in line with the average charge of other London boroughs to recoup all its costs;
- calling for a further report to a future HSC setting out the business case for an additional licensing scheme to cover all multi-occupied dwellings over commercial premises with a view to consulting on the introduction of a scheme in 2016/17 if this is agreed at Mayor and Cabinet;
- opening discussions with potential partners to explore the case for a multi-borough partnership to take a wider discretionary licensing scheme forward suited to the strategic needs of our wider housing market rental area;
- areas where lobbying may be appropriate to strengthen LA powers to tackle rogue landlords.

3. Background

- 3.1 A report on the Private Rented Sector Review was presented to Housing Select Committee on 3rd February 2014: <http://tinyurl.com/moxd2oh>, which reviewed information available from Newham, Southwark, Hackney and Brent about a range of approaches to discretionary licensing and other options, and concluded:

“Currently, there is not sufficient evidence in Lewisham of the type identified by London Borough of Newham to justify a wholesale landlord licensing scheme. However, officers will continue to consider all possibilities including monitoring similar initiatives elsewhere in other London boroughs. Officers will also explore the feasibility of a data gathering exercise to provide a more robust evidence base which will better inform future landlord licensing options in Lewisham and report back progress to the committee in due course.”

3.2 Legal Background

- 3.2.1 It is not necessary to set out here within this report specific legal provisions save for merely noting the following. The Housing Act 2004 Part 2 introduced a mandatory duty for local housing authorities to administer a licensing scheme for all large Houses in Multiple Occupation (HMO). It became a criminal offence for anybody to run an unlicensed HMO. It also introduced a power for local authorities to decide to extend the Mandatory licensing scheme to include additional types of HMO – i.e. smaller HMOs and illegally converted properties that do not meet planning requirements or the Building Regulations (illegal conversions - Section 257 HMOs) (*additional licensing*). Part 3 of the Housing Act introduced a power for local housing authorities to introduce schemes requiring any privately rented property *excluding* HMOs (of any type or size) to be licensed (*selective licensing*).
- 3.2.2 Any scheme, whether *additional* or *selective* could be designated for the whole of the local authority district or a defined part of it.

3.2.3 To be lawful, any discretionary licensing scheme introduced by the local authority must meet particular conditions which are contained within Part 3 to the Housing Act 2004, set out below.

3.4. Conditions for all discretionary schemes:

3.4.1 Whilst Secretary of State confirmation (since 2010) is no longer required for discretionary schemes, local authority Members are responsible for judging the business case for licensing against the same criteria set out by Government. The Local authority must be satisfied that the business case for licensing meets the following basic criteria:

- the scheme, together with other measures, will help deliver on the local housing authority's strategic private sector housing policies;
- there is quantitative evidence of a problem related to significantly poor *management* of the private rented stock concerned
- there is evidence that licensing, as part of an overall approach can be expected to sustainably assist with addressing the management deficiencies
- analysis to show no alternative powers are available that could equally address the management deficiencies
- proper consultation with all stakeholders has been undertaken and the results considered
- the scheme is kept under review; if it has achieved its objectives it should be discontinued and if at the end of the maximum 5 yr period it has not achieved its objectives, it should also be discontinued on grounds of ineffectiveness

3.5 Distinction between *additional* and *selective* licensing

3.5.1 *Additional* licensing is for extending licensing to all types of HMO not covered by the mandatory scheme (large HMOs). This requires evidence that a significant proportion of those HMOs are being ineffectively managed resulting in health or welfare problems for occupants or the public. *Selective* licensing is for extending licensing to any and all private rented properties in a defined area that are not HMOs, if the criteria for this are satisfied. In the London context (where there are no areas of housing market failure) *selective* licensing requires evidence of a link between persistent anti social behaviour (ASB) related to the housing management. Both *additional* and *selective* schemes can be borough-wide or in a defined smaller area. To license all PRS either borough wide or in a smaller area requires both *additional* and *selective* licensing.

3.6 Licensing powers and conditions

3.6.1 "Fit and Proper Person" test: The unique advantage of discretionary licensing is that, if a manager of private rented property has been prosecuted for Housing Act offences (or other offences involving violence, sex, drugs or fraud or dishonesty or unlawful discrimination), *or is associated with someone else that has*, within the previous 12 months or there is a continuing pattern of offending, they no longer pass the "fit and proper person" test required for being granted a license. All licenses are then suspended or revoked. If they then continue to be unlicensed, the authority may prosecute. The maximum penalty the Courts could impose for such cases is currently a fine of up to £20k. The offence also carries a possible

continuing offence provision too; meaning that potential offender may be re-prosecuted.

- 3.6.2 There is also the additional and separate power of the right to apply for a Rent Repayment Order against the landlord for up to the value of the rent for the previous 12 months, potentially eliminating any income from the lettings for his entire portfolio.
- 3.6.3 Schemes introduce license conditions related to standards of housing management. They cannot include conditions unrelated to housing management standards. Licensing specifically cannot be used to introduce higher physical standards nor for introducing new conditions of tenancy. For instance it is not lawful to seek to introduce a requirement to offer longer minimum tenancy periods or to introduce rent controls. Appendix III lists the common license conditions local authorities apply.

3.7 Licensing, compliance monitoring and enforcement

- 3.7.1 Compliance monitoring and enforcement are necessary for licensing to be effective. The Housing Act 2004 places a duty on the local authority to satisfy itself as soon as reasonably practicable that there are no breaches of the Housing Act 2004 in a property to be licensed. As a minimum this is taken to mean the licensed property must be inspected at least once in the timescale of the license (up to 5 years). Some advisers have suggested that in some circumstances it may be reasonable to permit license holders to provide independent verification that their properties are free of Housing Health and Safety Rating System (HHSRS) hazards and otherwise meet license conditions. It is thought the accreditation bodies for landlords and managing agents may see this as a business opportunity. This could provide choice for the landlord, an opportunity for a reduced fee and reduce the size of the Licensing team required to administer the scheme.
- 3.7.2 A prerequisite of an effective licensing scheme is that the authority knows which of its properties are privately rented. Few councils have had a database for their PRS; any database also needs to be kept up to date as tenure can change at any time. The task of compiling a database is complex and costly and may involve data protection issues. Newham council commissioned a consultant to build a predictive modelling tool drawing on all databases held by the council. Starting with what intuitively seemed likely to be true, it used an algorithm to identify which combination of data already held on an address best predicted it was privately rented. The model derived from this work was found to be very reliable in Newham. The same model has been applied in Brent and Enfield where it was found to be less reliable at a detailed level, because of key differences in the demographics. To shortcut the exercise of building a database for Lewisham, the Newham model could be used as a starting point. It is estimated that on this basis, a basic database could be built if a part time IT project manager were to be assigned to the project, in approximately 6 – 9 months.
- 3.7.3 Of the various discretionary schemes introduced in London, none has reached the end of its (maximum 5 year) term; data is not available to show what levels of enforcement activity are necessary to make a success of licensing. In Newham, enforcement covers only 6% of the licensable stock per year. As less than a third of the licensable properties can be inspected during the 5 year term of the scheme, it

is crucial that from the outset their inspection regime was intelligence-led, targeting the higher risk properties. Eighteen months into their scheme, whilst the borough are very confident the scheme is working, none of the data gathering and analysis that informed the business case for the scheme has yet been re-run to establish trends.

3.8 Setting the license fee

3.8.1 The local authority is responsible for setting the license fee so that license fee income covers the cost of administering and compliance monitoring the scheme. It should not make a profit. It is not lawful to use license fee income to pay for enforcement against landlords who are not licensed; this is expected to be funded through other local authority income streams.

3.8.2 Legitimate costs include the personnel, electronic or paper based systems to deal with license applications, variations, collecting the license fee and maintaining the register.

3.8.3 Opinion remains divided as to whether the cost of enforcement activity against licensed landlords who breach license conditions or housing or planning laws can be included in the license fee or dealt with as a separate additional charge to the offender. The boundary between what is and what is not a legitimate expense that can be recovered through any license fee is currently being tested by Westminster City council. Opinion is divided also on what set up costs (e.g. IT development, consultation costs) might be recoverable from the fee. The “Westminster judgement” awaited from Supreme Court this autumn is likely make it clearer what can be financed out of a license fee.

3.8.4 The going rate across boroughs that have introduced discretionary licensing is around £500 - £550 per license for a 5 year license, with discounts for portfolio landlords. Lewisham’s fee for mandatory HMO licenses is £180 per dwelling for a 5 year license with a 20% discount for accredited landlords is not covering the costs of administering the mandatory licensing scheme costs.

4. National developments affecting case for licensing

4.1 The current government administration favours “light touch” regulation; DCLG has stated it does not encourage or expect local authorities to adopt whole borough discretionary licensing in any numbers; it has specifically warned that it may act to make it more difficult for authorities to do so. On the other hand, the Lyons Report, Crisis and Shelter have all come out in favour of licensing.

4.2 Two new legal protections are coming into force which protect private tenants from landlords poor management and therefore could diminish the case for additional licensing:

- **Government Compulsory Redress Scheme:** was introduced in October, the requirement for private lettings and property managing agents to join one of three government backed schemes (the Property Ombudsman, Ombudsman Services Property and The Property Redress Scheme). They will offer independent investigation of complaints about hidden fees or poor service.

Where a complaint is upheld, tenants and lease holders could receive compensation.

- **Protection from eviction in case of complaints and enforcement:** a Private Members bill with cross party support is expected to be passed ahead of the General Election that will introduce protection for private tenants from retaliatory eviction if a local authority initiates enforcement action against the landlord under the Housing Act 2004 or other housing related law; from the point an offence is identified, the landlord is prevented from issuing a S.21 Notice until 6 months after the offence has been resolved.

5. Exploring the case for licensing

5.1 General

5.1.1 The grounds for setting up discretionary licensing are quite specific in the Housing Act. The authority must also demonstrate the case for it by reference to the provisions of the Act or else leave itself open to costly challenge and the scheme being quashed.

5.1.2 Advocates of discretionary licensing claim four key benefits of licensing:

- The worst conditions in the PRS in Lewisham (and some other places) are outside the mandatory license scheme;
- builds a database on the PRS, a powerful intelligence and engagement tool, with information about the landlords and their portfolios and standards of management;
- extends the power to revoke licenses then prosecute a landlord if they have been prosecuted for Housing Act or violent/sex/drugs/fraud offences – arguably the most efficient and impactful enforcement tool in the Act;
- establishes standards of management through the license conditions, which, if enforced, make landlords responsible for managing ASB problems which otherwise impact on the local community.

5.1.3 The case for licensing as a means of building a database of the PRS is not contentious, but there is controversy concerning whether bad landlords avoid applying for a license, or indeed seek comfort from the belief that if they license they are less likely to draw attention to themselves. This will depend upon the enforcement regime in a particular area and what is known about it. Evidence suggests information communicates around the landlord community quickly and conditions behaviour. Whatever the case, data collected, if it is used, is potentially very valuable in building better understanding and better partnership with the PRS.

5.1.4 The evidence base for linking PRS and ASB is central to the case for selective licensing in London, but is also one of two possible approaches to establishing a case for additional licensing of HMOs, only one of which appears to have been taken up by London boroughs at this time. The PRS association to ASB case may be open to challenge including the following points:

- Social research is complex with a range of interacting factors making cause and effect very difficult to prove, and there is no 'control group';

- A correlation between private rented housing and anti-social behaviour cannot be taken to prove that the one caused the other – it is just an association without an explanation – if the link isn't causal, then licensing is the wrong tool for the job;
- Only a very small proportion of the data used is linked to a specific property and thus the bulk of the data is not reliably linked to tenure;
- Only one proposition is being tested (that PRS and ASB are associated with one another) rather than 'following the data' in search of the answer;
- There are a number of other obvious intuitive explanations for an association between PRS and ASB that do not involve causation (e.g. poor quality PRS is concentrated in mixed residential/commercial areas and areas of lower value and ASB may be a function of what takes place in those neighbourhoods).

5.1.5 PRS landlords are understandably unhappy about having to pay a license fee, but perhaps more so at having to bear the increased cost of management associated with the license conditions, arguing if they are unfortunate enough to have a bad tenant, it is not reasonable to also hold them responsible for what those tenants do in the public domain. Campaigners for private tenants' rights have sometimes argued this thinking also 'demonises' private tenants.

5.2 An alternate approach to identifying arguments for licensing - Public Health Outcomes framework

5.2.1 Part 2 of the Housing Act 2004 governing the requirements for introducing licensing refers to evidence for negative impacts on the health, safety and welfare of private rented tenants from poor management. That poor housing leads to negative health impacts is both intuitive and has been very well documented and modelled by University of Warwick and the Building Research Establishment, whose empirical model, the Housing Health Cost Calculator puts a price on various aspects of poor housing in treating the resultant ill health. The relevant health data that is held by the authority and can be mapped includes:

- Statutory homelessness – homelessness acceptances;
- statutory homelessness – households in temporary accommodation
- Fuel poverty;
- injuries due to falls in people aged 65 and over;
- injuries due to falls in people aged 65-79;
- injuries due to falls in people aged 80 and over;
- incidence of TB;
- under 75 mortality rate from cardiovascular disease considered preventable (persons);
- under 75 mortality rate from respiratory disease considered preventable (persons);
- Mortality rate from communicable diseases (persons).

5.2.2 An exercise in mapping this data against the census data for private rented property would highlight those areas of poorest rental properties. This work is being commissioned and could give rise to recommendations for localised additional and/or selective licensing.

5.2.3 Whether or not the case for licensing is accepted and whether the case can be demonstrated on the terms defined by the Housing Act 2004, these benefits can only be realised if the authority first invests in building a basic database of probable PRS addresses, and then also backs up the scheme with a sufficient programme of enforcement activity.

5.3 Big bang vs. incremental approach to licensing

5.3.1 The Act provides that schemes must last for *no more than* 5 years and must be kept under review. If a scheme is successful, there is a presumption it will be discontinued as there would be no further need for it. If the scheme is unsuccessful then there is also a presumption it will be discontinued, on the grounds that as an approach, it is ineffective. Any decision by the authority to renew a discretionary scheme is open to a claim for Judicial Review by its opponents. It is crucial therefore that any scheme is matched by a fully funded and deliverable enforcement programme that meets minimum standards for establishing the success of the scheme within its 5 year maximum term.

5.3.2 Proponents of whole borough schemes (Barking and Dagenham, Newham, Waltham Forest and Enfield) argue in favour of 'big bang' whole borough additional and selective schemes, on the basis that anything less would allow landlords to change the nature of the lettings to sit outside the licensing criteria; for example where additional licensing is introduced covering all HMOs, a landlord could replace groups of house sharers with a single occupancy family letting so that a license is not required. Landlords procuring new homes may decide to acquire or trade stock to relocate outside licensing scheme areas. A domino effect may arise as local licensing schemes are introduced across more London boroughs, in which the poorest standards will gravitate, over time to the boroughs with the lowest regulatory standards.

5.3.3 However, critics argue other economic factors dwarf the impact of licensing on private landlords decisions. Net rent income only represents around 50% of return on investment. Moreover many landlords are 'accidental' landlords, owning just one property, for whom the transaction costs would represent a significant barrier to relocating. For the larger portfolio landlords, macro-economic variation in the ratio of capital values to rental value is likely to be a larger factor in determining where investment in private renting will be attracted to. A caveat is necessary here, that a rising number of landlords are managing agents, who are able to move their operations geographically more speedily in response to all factors affecting their income and outgoings. The fear of licensing or its absence determining where PRS stock is located may be overstated.

5.3.4 Authorities that have chosen smaller scale schemes appear to have done so on the basis of one or more of the following considerations:

- existing data recording and reporting across council services inadequate, requiring resource intensive research to build a business case;
- inadequate financial resources for a sufficient enforcement regime for licensing to be effective within a 5 year time horizon;
- recruitment problems resulting from skill shortages in London for enforcement officers;

- local authorities need a good relationship with private landlords to provide supply for homelessness prevention and 'discharge of duty'; over zealous regulation may conflict with that goal;
- concerns about a reluctance of Buy-to-let mortgage lenders to advancing loans in licensing areas.

5.3.5 Where authorities have recognised they cannot deliver the funds and the boots on the ground to deliver whole borough licensing in 5 years, the choice of rolling out licensing incrementally over a series of 5 year schemes has won the day. An example of a pioneering authority that has taken this approach is Middlesbrough. It was in the vanguard of introducing selective licensing alongside 3 other north of England authorities with housing market renewal areas. Middlesbrough monitored the outcome from their schemes closely and has maintained the incremental approach in light of positive experience.

5.3.6 Lewisham must therefore consider the intentions of its SELHP neighbours on licensing. At this time, Southwark are consulting on licensing all HMOs in the borough plus an area based selective scheme focused on an area with a high concentration of PRS with a high proportion of Housing benefit claimants. Greenwich has called for a report on licensing. Bexley are also at an early stage in this work and it is not clear whether there is any appetite for introducing a scheme. Officers have committed to share their respective reports and a summary of the recommendations being considered in all of the SELHP partnership will be presented orally to Select Committee.

6. Lewisham perspective

6.1 Stock Condition Survey data on the PRS and comparative conditions in PRS and HMOs

6.1.1 According to the 2011 Private Rented Stock Condition Survey, this sector in Lewisham is now over 33,000 homes, around 29% of the stock in the Borough. It is the only housing option for many residents. (Census results indicate a figure of 24%, however it is generally believed that the Census under-records privately rented households.)

6.1.2 The stock condition survey suggests the levels of decency and prevalence of Category 1 hazards is not very different as between private rented and owner occupied dwellings generally (The key statistics can be found in Appendix IV).

6.1.3 Not all HMOs are obviously in poorer condition than the average stock in the borough. The only type of HMO to be significantly substandard is illegal conversions. These are even more likely to have a Category 1 Hazard than the supposedly 'high risk' mandatory licensable properties and also significantly more likely to be non-decent on grounds of outdated facilities. Illegal conversions are worse on both counts than any other property type in the borough. The enforcement case, based on this sample survey data, is therefore uniquely for illegal conversions to be subject to licensing. This represents a particular challenge for any licensing scheme, since no landlord would readily identify their property as an illegal conversion, even supposing they understood that it was.

6.2 Conditions and geography and association with ASB/enviro-crime

- 6.2.1 In Lewisham the very worst housing conditions appear in two distinct areas, the largest being the south/centre of the borough where capital values are low and profit margins from letting are higher. The other is a residual pocket of very poor conditions, particularly in flats over shops, in the central Deptford area.
- 6.2.2 Reported anti-social behaviour is not systematically recorded on a single council database is not linked to property tenure. Metropolitan Police data is not currently made accessible to the council and is also not linked to property tenure. However, high level mapping of reported ASB on the MPS website for the borough shows the high levels generally following the main roads and commercial areas, an unsurprising finding in light of the activities and intensity of footfall associated with such neighbourhoods.
- 6.2.3 There is no prima facie case to indicate a link between the poorest private rented housing and ASB and even if there were, we do not currently have the tools to prove an association, much less establish causation.

6.3 Private tenants' survey feedback

- 6.3.1 A survey of 1162 people living in privately rented accommodation in the five Boroughs of the South East London Housing Partnership – Bexley, Bromley, Greenwich, Lewisham and Southwark – and in Lambeth, exploring the question: *“What is the capacity of the private rented sector in South East London and Lambeth to meet the housing requirements of households who would otherwise be accommodated in the social housing sector?”* Specifically it aims to provide some of the evidence base that the Boroughs will need to draw on if considering the introduction of licensing in the PRS. From this survey only 14% cited concerns about anti-social behaviour in the area. The three leading issues identified as of most serious concern were damp or mould growth (23% of respondents), Excess cold/lack of heating (11%) and poor security/risk of intrusion (10%).

6.4 Engagement with Lewisham private tenants

- 6.4.1 A Lewisham Private Tenants Rights Group was formed some years ago. The group did not seek to work with the council. It later ceased to meet when its co-ordinator left the borough. In July the group reconvened. An invitation to meet to discuss making links between the Private Sector Housing Agency and the group was conveyed to their meeting. No contact however has ensued.
- 6.4.2 A dialogue has recently been initiated with the campaigning group ‘Generation Rent’ who are working with the reconvened group and other private renters on their data base to support its development. They have extensive experience of conducting consultation with populations of private tenants on such matters as selective and additional licensing schemes. The charity also has a programme of fundraising and hopes to be able to part finance the development of a local group. The outcome of their research will be shared with the borough as soon as it is available.

7. Lewisham PRS strategic objectives

7.1 Overview

7.1.1 The Private Sector Housing Strategy 2009-14 set out to improve the quality, management, affordability, and security of the private rented sector. Tackling anti-social behaviour is specifically referenced. A range of initiatives have been pursued including a blend of stick and carrot approaches:

- introduce landlord accreditation
- develop a 'Lewisham standard'
- set up a Rogue Landlord Taskforce to focus enforcement on the worst landlords and drive them out of business

7.1.2 Neither the Private Sector Housing strategy nor the Community safety strategy has identified a link between the PRS and anti-social behaviour in general. It is known to have been an issue in specific cases. However we already have powers of enforcement to deal with these problems in specific cases. In order to place discretionary licensing within our strategic approach, the evidence needs to be found for a general, persistent and significant link. No standard has been set for what constitutes 'persistent' or 'significant'.

7.2 Accreditation and incentives

7.2.1 Our Private Sector Housing Strategy included a commitment to increase voluntary accreditation by private sector landlords. We are a member of the London Landlord Accreditation Scheme (LLAS). The London Mayor has also launched the London Rental Standard. Accredited landlords in Lewisham get the benefit of free professional training, discounts on landlords' insurance and a 20% discount on their license fee. We have promoted an ongoing dialogue with landlords through a new forum.

7.2.2 LLAS membership does not involve any inspection. It relies on enforcement teams posting information on the scheme's website of any prosecutions. The London Mayor has a target to increase the numbers of accredited London landlords and lettings agents to 100,000 by 2016, from the current base of around 14,000. There has been no announcement publicising the progress in signing up new members since the launch of the London Mayors London Rental Standard in May this year.

7.2.3 In February 2014 the total Lewisham private landlords were thought to number 3,700. The number with accreditation by LLAS, NRA, ARLA or equivalent was just over 200 landlords, an increase of 20% over the past year, Lewisham estimates there are 3,700 private landlords in the borough meaning 5.4% of landlords have chosen accreditation. In spite of publicity and incentives for managers of HMOs to embrace accreditation, this voluntary approach to raising standards giving rise to 40 newly accredited landlords does not appear to be an effective of value for money measure. We will nevertheless keep the matter under review.

7.3 Rogue landlord taskforce

7.3.1 Based on Lewisham's current priority enforcement programme, concerns arise from the slow rate of progress in gathering evidence to be able to prosecute offences by

known rogue landlords who we believe to control more than 160 properties. Information and intelligence only so far has been largely available to Council officers, as opposed to actual evidence. Our programme has uncovered a range of potential serious offences which often do not cease as a result of prosecution; creative approaches to effective enforcement are being sought. The range of potential offences include:

- Running unlicensed HMOs
- Severe overcrowding
- Housing Health Safety Rating System Category 1 hazards
- Hotwired electricity/utilities abstraction
- Letting properties with unsafe gas and electrical installations
- Allowing cannabis factories to operate
- Council tax evasion
- housing benefit fraud
- severe anti-social behaviour committed by tenants without any management control
- Illegal eviction
- Harassment – attempts to demand cash from tenants for whom the landlord already receiving housing benefit
- Pests including bed bugs
- Failure to protect tenants' deposits
- Taking deposits to secure lettings then not delivering the letting but withholding large admin fees or delaying repayment of deposit
- Converting and extending properties without Planning consent or building control approval.

7.3.2 These problems are illustrated in more detail by the case studies of 6 of the 15 landlords of greatest concern, at appendix IV.

7.3.3 The key concerns for the Taskforce are:

- Paltry level of fines imposed by the criminal courts for offences,
- High proportion of poorest properties not HMOs so the power of the not "Fit and Proper Person" not always available – enforcement therefore piecemeal and long-winded
- Absence of a real time data warehouse of high risk properties
- Lack of expertise and capacity to investigate alleged HB fraud
- Housing Benefit regulations that do not permit the authority to suspend HB claims on properties where the landlord is guilty of continuing offences under the Housing Act

7.3.4 The Rogue Landlord Taskforce submitted a bid to DCLG for funding from the Counter Fraud Fund; no announcement has yet been made as to whether that bid has been successful.

7.3.5 Other measures that would be of greatest value to the Rogue Landlord Taskforce are listed in the section 10.1 below:

8. What are the key problems in the PRS that Lewisham wishes to tackle?

8.1 Stock condition and Environmental Health residential team experience of the problems suggests key priorities include:

- “*additional*” licensing scheme that includes the highest risk property (i.e. multi-occupied dwellings over commercial property)
- data warehouse that collects data from across the council on probable private rented property in real time with reporting tool
- lobbying for change to HB regulations to give local authorities the power to suspend claims where the property is unsafe and the landlord has been prosecuted
- Support for increased resourcing into tackling suspected fraud, should the bid to Counter Fraud Initiative be unsuccessful
- illegal conversions have the lowest levels of decency and highest health risks, but by virtue of the fact the landlords have already flouted planning law, these would be the hardest to subject to licensing
- pockets of particularly poor conditions in the Deptford High Street area, but the case for linking this to anti-social behaviour, if it exists, is not readily established
- poor conditions are less easily identified by geo-spatial factors than by use type

8.1.1 Based on the stock condition survey 2011, there may be a case for *additional licensing* to be extended to illegal conversions, as this stands out in relation to Category 1 Hazards and non-decency and the lack of modern facilities; the case for licensing other types of HMO is weak.

8.1.2 Capacity for dealing with these priorities is limited by insufficient enforcement officers and the lack of a PRS database. Putting additional resources into these areas, both of which would be necessary to support the introduction and operation of discretionary licensing, would have a positive impact on the work of RLT, *but could not be financed out of license fee income.*

8.2 Private tenant feedback

8.2.1 Looking to private tenants’ feedback from the recent SELHP report cited above, the most common problem is to damp and mould (23%) followed by experience of anti-social behaviour (14%), excess cold (11%) and home security (10%). No analysis from this report is available for which type or area of property is most at risk of being substandard.

9. Alternatives to licensing and enforcement

9.1.1 The coalition government, the London Mayor and the private landlord associations have not been in favour of regulation. Some landlord bodies have explicitly said that they will pass on the cost of licensing to their tenants in higher rents, something they are able to do in the context of a lack of rent control in the private sector. Instead these bodies prefer incentives and encouragement to raise standards through accreditation. Although it is early days, the London and Lewisham experience of voluntary approaches is disappointing.

9.1.2 The case for investing in partnership should be kept under review.

10. Immediate steps - self-financing for licensing:

10.1 The license fee for the existing Mandatory scheme does not cover the cost of administration and compliance monitoring and is significantly below the £500 London norm. The fee generates income of around £6k per year while fully apportioned costs are estimated at around £100k pa. As a result the scheme is subsidised by council tax payers to the tune of around £94k per year. There is a compelling case for reviewing the fee and using the current subsidy to the scheme to add to the budget for enforcement activity. This would create a virtuous circle of increasing the % HMOs registered and progressively reducing the subsidy to the scheme.

10.2 It is recommended the council brings forward a recommended increased license fee that fully recovers the cost of administering the scheme. If the costs exceed the London norm of £500 for a five year license, recommendations for improving value for money should be produced.

11. Next Steps - project costs and timescales

11.1 Timescale

11.1.1 Newham council, being one of the earliest adopters of discretionary licensing in London, took 4 years to complete its project to introduce a whole borough selective (and additional) scheme. Their scheme is now close to its second anniversary and expects to achieve 100% compliance with the scheme within around 3 months. The borough concluded their on-line license application solution which was custom built for their needs, should be replaced. They are entering the procurement phase for a new system and are interested in working with other boroughs. There is no known off-the-shelf solution that works with any of the leading software platforms.

11.1.2 With the benefit of their path-finding, some other boroughs are completing the work in shorter periods, however none is thought to have accomplished the work in less than 2 years – this is true even for less ambitious schemes. The IT problem can be expected to be a limiting factor everywhere

11.1.3 The task for Lewisham, assuming it considered licensing both the right tool and that the business case could be established should it wish to introduce discretionary licensing would involve the following steps:

11.2 Develop a data warehouse and apply predictive tools to identify what is privately rented housing

11.2.1 Before any research can be undertaken into the business case, there is a need to collect data. There is no database currently. The internal cost of cleansing our various databases, and developing a warehouse that brings all the data into a single place and then develops reporting tools would be very significant; currently nobody has been assigned to any of the 3 parts of this project. Assuming the resource was identified, work on this scale typically takes 6 months to a year. Once this work was completed, a further project requiring an external consultant is required to undertake

predictive analysis. We have been quoted a sum of around £20k, and a minimum of 3 months to complete the analysis.

11.3 Research into the business case

11.3.1 Association between some or all of the PRS and either Anti-social behaviour and enviro crime or health outcomes would need to be undertaken either by putting the project into the work programme for the housing research team, or outsourced. Research projects of this kind, whether in-house or outsourced, generally take a minimum of 3 months. If the modeller used by Newham and others were engaged, the time for this part of the project would overlap with the database building.

11.4 Consultation

11.4.1 The Act stipulates a minimum 10 week public consultation period. Some authorities have worked up their business case and then gone out to consultation on it (e.g. Enfield); others have engaged in consultation as part of the process of building a business case. Liverpool took the latter option. They engaged an independent firm to run the consultation exercise. The use of consultation to build the business case using independent consultants meant that it was seen to be objective and informed by the stakeholders. This meant the risk of opposition or a Judicial Review was mitigated. At the cost of £100k for this exercise, Liverpool is satisfied that this was the best approach and represented value for money.

11.5 Options appraisal

11.5.1 Once the evidence has been gathered in, a further phase of considering the feedback and analysing the options would be necessary, taking a minimum of one committee cycle and Cabinet consideration. This is likely to require a minimum 3 months.

11.6 Detailed scheme design

11.6.1 Once an option has been chosen, detailed work is required on the license conditions, license fee options: this work would need to be undertaken and run through a detailed financial model in order to set license fees at a level to recover all legitimate administrative costs of the scheme.

11.7 Commission on-line web portal for license fee application

11.7.1 There is no off-the-shelf product. Lewisham does not share the software platform used by Newham (who are looking for partners). The lead in time for designing, beta-testing and going live with a new solution likely to be 18 months minimum. The costs are unknown. The best option would likely be a user group club sharing our software platform jointly commissioning a product and sharing the costs. Based on recent experiences, suggests an expected provision of £125k. The feasibility of this is being explored informally.

11.8 Recruiting licensing and enforcement team

11.8.1 The time and cost of this exercise will be somewhat proportional to the size of the scheme adopted. As training for enforcement officers takes 3 years and there has

been a recent surge in demand, as new boroughs implement schemes, a skill shortage has become apparent. In Lewisham, after 4 months and 3 rounds of recruitment, we have yet to secure an appointment. Our recruitment adviser indicates hourly rates having risen by around 50%. With Croydon and Southwark being ahead of Lewisham in considering schemes in south London and Enfield and going live with a whole borough scheme in the north shortly, the challenge of recruitment and the cost of appropriately skilled personnel is likely to get worse. In good times, even modest recruitment drives typically takes 6 months.

12. Income and expenditure costs for whole borough options

12.1 Costs of introducing discretionary licensing fall into two budgets:

- license fee self-funding, and
- setting up costs and enforcement costs required to ensure that those who should be licensed are either licensed or prosecuted

12.2 The unfundable costs generated by a scheme can be paid for out of General Fund. Rent Repayment Orders (£200k in Newham in first 18 months) and any Council tax debt recovery (£500k pa in Newham). However Legal Services in Lewisham advise that the money recovered from RROs can pay for the costs of prosecution only and any surplus is repaid to central government, a practice that is not followed by all boroughs. It is also not clear that recovery of council tax through private sector housing licensing in Lewisham would run at the levels cited in Newham, as it is not envisaged the licensing team would have access to any powers or data not held by the council tax debt recovery team.

12.3 Administration and compliance monitoring of a licensing scheme funded from license fee income should not generate a profit. Costs will depend upon:

- scale of the scheme,
- policy on the level of compliance monitoring and enforcement activity to back up the scheme
- investment in digital methods for license application
- any subsidy for early bird registration to increase the pace of registration

12.4 If Lewisham were to introduce a whole borough additional and selective scheme on the Newham model, but built in a minimum of one inspection for each 5 year license, it would need 55 enforcement officers and an estimated fifth of their activity would be attributable to enforcement activity of unlicensed landlords – hence not fundable from the license fee. Four fifths of their inspections could be charged against the license fee.

12.5 Ball park **annual** costs to the scheme, broken down into the cost to license fee payers on the one hand, and the cost to the council tax payer on the other hand, assuming apportioned overheads of 50% would be:

	Licence fee costs	Costs to council tax payer
Licence administration	£300k	nil
Start up costs (/5), direct plus indirect (100%)	nil	£98k
Inspection/verification	£2,709k	£756k
TOTAL	£3,009K	£854K
= 33,000 5 YR LICENSE FEES @	£456	

APPENDIX I – ROUGH COST BENEFIT ANALYSIS OF LEAD OPTIONS FOR PRS ENFORCEMENT

OPTION	BENEFITS	RISKS & COMMENTS	NON-LICENSE FUNDED COSTS
WHOLE BORO SELECTIVE	<ol style="list-style-type: none"> 1. Builds borough-wide real time database 2. Adds efficient “double jeopardy” power to enforcement programme to new scheme 3. Raises awareness of legal requirements across landlord community 4. Puts cost of “externalities” back on the landlord instead of public purse 	<ol style="list-style-type: none"> 1. Requires adequate enforcement for licensing to be credible and thus effective 2. Requires exception reporting to identify those who fail to license 3. Enforcement activity will not necessarily be focussed on the worst conditions 4. May have to close after 5 years, whether or not the objective is achieved 	c. additional £975k per year
ROLLING AREA BASED PROGRAMME or PILOT	<ol style="list-style-type: none"> 1. Builds borough-wide real time database, incrementally 2. Adds efficient “double jeopardy” power to enforcement programme to new scheme 3. Raises awareness of legal requirements across landlord community 	<ol style="list-style-type: none"> 1. Requires adequate enforcement for licensing to be credible and thus effective 2. Requires exception reporting to identify those who fail to license 3. Enforcement activity will 	Above costs reduced by spreading over multiple terms

	<ul style="list-style-type: none"> 4. Puts cost of “externalities” back on the landlord instead of public purse 5. Phases the work over multiple terms of 5 years 	<p>not necessarily be focussed on the worst conditions?</p> <ul style="list-style-type: none"> 4. Risk of chasing the bad landlords across boundaries and as they switch tenure type to avoid classes of letting caught in the licensing net 5. Later terms in the programme may benefit from “lessons learned” from the first scheme 	
PARTNERSHIP WITH OTHER BORO(S)	<p>As per options 1 & 2, plus:</p> <ul style="list-style-type: none"> 1. Shared intelligence 2. Strategic approach to a whole housing market area may improve impact and effectiveness 3. Potential for shared IT and other infrastructure development 4. Innovative 5. Could build foundations for a redesign of Licensing that is fit for purpose, by a future government 	<p>As per options 1 & 2, plus:</p> <ul style="list-style-type: none"> 1. Development of multi-borough partnership proceeds at the pace of the slowest link in the chain 2. Results achieved may reflect the inspiration and ambition of the strongest partner, or a compromise to the weakest ? 	<p>As per options 1 or 2, plus</p> <ul style="list-style-type: none"> 1. Reduce infrastructure development costs through joint commissioning 2. Potential reduction in ongoing management overheads of scheme

<p>MANDATORY ONLY</p>	<p>1. Focuses available management capacity on running operations for enforcement on worst known conditions and criminal landlords</p>	<p>1. Relies on accreditation and other 'nudge' programmes to raise awareness of legal requirements across landlord community 2. No "double jeopardy" option on the worst PRS stock 3. investment in data warehousing from existing council databases required to improving intelligence-led enforcement</p>	<p>Standstill budget</p>
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Evidential questions

1. Has whole borough licensing speeded up the rate of identifying rogue landlords that do not license? What are the statistics for this?
2. What have council's saved on the cost of managing ASB, enviro crime and other costs associated with badly managed PRS?
3. What are the statistics on reduced complaints about ASB, enviro crime etc in the areas where licensing has been adopted?
4. Where rolling area based programmes have been adopted, what evidence is there of this actively driving poor conditions into neighbouring unlicensed areas? Has the evidence been scrutinised to eliminate other economic drivers to explain any change?
5. Some criminal landlords in Lewisham choose a strategy of "hiding in plain sight". What is the evidence that rogue landlords do not apply for licenses, given they may know the council's strategy is to target those that don't license?"

6. What are the before and after statistics for cautions, prosecutions, IMOs and Prohibition Orders before and after introducing whole borough licensing

APPENDIX II

Discretionary licensing in London

Whole borough selective & additional:

- Barking and Dagenham
- Newham
- Waltham Forest (all whole borough additional and selective),
- Enfield whose whole borough selective has the go-ahead but whole borough additional licensing is subject to judicial review, and Brent (whole borough additional and 3 ward selective scheme).

Whole borough additional, local area limited selective:

- Brent:

Local area only:

- Islington
- Haringey (also using Article 4 Directive, removal of permitted development rights for HMO use class in Tottenham)

Schemes in consultation:

- Croydon: whole borough selective and additional scheme;
- Southwark: consulting on whole borough additional and a localised scheme for selective licensing in an area of poor quality PRS, associated with ASB.
- Redbridge

Boroughs developing their thinking:

- Hackney
- Tower Hamlets (favouring pilot)
- Lambeth
- Royal Borough of Greenwich
- Bexley are also beginning to consider what their strategic aims are for which licensing might be a tool.

Experiences and plans of other local authorities

Newham estimated their private rented sector to comprise around 30,000 homes, distributed very widely across the borough rather than concentrated in pockets. The private rented sector was widely observed to be closely associated with crime and anti-social behaviour and with environmental crime such as dumping.

To develop their business case a pilot project was undertaken. The experience of the pilot showed that properties which the landlord had not licensed were four times more likely to be in very poor condition than those that have been licensed. This led to the conclusion that licensing was in itself the strongest diagnostic tool when used as exception reporting, to flag up for enforcement those properties that represented the greatest risk.

Newham has the third highest incidence of reported ASB for any London Borough. The council engaged consultant Les Mayhew who worked with them to develop their various existing databases into a warehouse which could report on all addresses based on the likelihood that they were privately rented, then undertook regression analysis against data on reported ASB across the borough in order to demonstrate an association between the two. This statistical tool has been deployed again, with tweaks, in Brent, Waltham Forest, and Enfield.

Since the launch of whole borough licensing, Newham found the private rented sector was 33% bigger than thought, exceeding 40,000 dwellings and the estimate of the number of private landlords at over 4,000 had also been enormously underestimated. Private renting is the largest tenure in this borough and, like Lewisham, has nearly doubled in size over the last 10 years to 39% of all housing, (16% nationally). A third of all private tenants claim Housing Benefit. Growth of the PRS has been largely through the activities of 'buy to let' investors and these new landlords have replaced owner occupiers in many of Newham's streets and neighbourhoods.

The Newham scheme was introduced in January 2013 after 4 years of preparation.

Keys to the success of Newham's borough-wide claim for their scheme include the following:

- Investment in an on-line License Application form, allowing the processing of 31,000 licenses in around 18 months, so only 26 officers required to administer the scheme; the License Register forms a data base containing a large amount of data on the private rented sector which can be used for a range of intelligence purposes.
- Investment in data cleansing across various council databases and establishment of a reporting tool, regression analysis used to identify key drivers, and concatenating data extracts from all existing databases, to provide an additional intelligence tool to target on evidence based risk assessment, unlicensed and poor quality private rented housing
- Up front investment of £10m of funding to cash flow the scheme,

- License fee income (£6.9m in the first year) at a level that recoups the up front investment in an effective administrative system which enabled them to recoup up front investment in full to the council within 2 years
- 5 yr License fee for selective or additional licence is £500, discounted to rate £150 for early birds, renewal fee £500. The fee for mandatory license ranges from £950 for 5 lettings to £1550 for 20 + lettings or more, renewal fee from £550 to £750.
- Total staff team on enforcement and administration = 51 personnel, total budget of £1.5m pa. – and the enforcement team of 26 is no larger than it was prior to the extension of whole borough licensing (1:1,654 enforcement officer to PRS properties)
- Enforcement activity is substantially subsidised through generating further income, including £500k council tax recovered, 33 Rent Repayment Orders worth £200k budgeting for 75% income recovery
- Fines (paid into the Treasury, not the council) averaging £4k
- Effective enforcement using Works in Default budget (provision of £50k but recoverable) used in case of immediate risk to resident safety, against non-compliant criminal landlords
- One solicitor attached to the team turns round 20 - 30 prosecution cases per month
- News of the robust approach to enforcement has communicated swiftly round the landlord community; threat of action alone now much more effective

Newham also have a separate planning enforcement team which was granted £1m of Rogue landlord funding by CLG, who share intelligence with the Environmental Health team. They deal with “beds in sheds” and other planning contraventions.

Newham allowed landlords to license on self reporting of compliance, and offered an early bird discount to incentivise a high level of license applications at the outset. They used the Register as an intelligence tool, having first piloted the scheme and established that landlords who fail to license are 4 times more likely to have a substandard property.

Greenwich: have a budget of £1m council funding for tackling rogue landlords. This funds a team of 10 environmental health officers, 2 ASB enforcement officers an intelligence officer and a team leader. They are currently exploring the case for additional or selective licensing.

London Borough of Southwark - proposed licensing scheme

In December 2013, Southwark Council adopted a set of minimum standards (similar to 2004 Housing Act minimum standards) for private rented sector landlords and have first applied it to homes used for its own temporary accommodation. Their stated intention was to roll out the scheme in specific areas before introducing a compulsory licensing scheme for all the borough's private rented sector landlords. The license conditions will include services provided to tenants, repairs and maintenance and the condition of the property and will draw together existing duties and good practice.

The borough is out to consultation on a proposal for borough wide *additional* licensing scheme. As to selective licensing, they have mapped ASB against the distribution of poorer PRS, being those where there is an HB claimant. They observe an association of ASB with poorer PRS which is not evident when comparing all PRS with ASB. They are consulting on two alternatives for a selective scheme based on licensing (poor quality) PRS, in that part of the borough where ASB is most prevalent; the two options are between a wider or narrow geography for the scheme, depending on the threshold of levels of ASB to be adopted to define the boundary.

Southwark are pledging to visit every licensed property within the 5 year period of the scheme. There is no published information about how enforcement is to be funded, however the license fee is proposed at £300 per bedroom for 5 years, with a 25% discount for accreditation.

London Borough of Hackney

Hackney estimate their private rented sector has 27,000 properties, 15,000 of which are thought to be houses in multiple occupation of all sizes.

Hackney operates the mandatory licensing scheme only. They have a target to identify 450 licensable HMOs; so far they have licensed 300. Their licensing and enforcement team is made up of 6 licensing officer and 4 enforcement officers. Their average fee is £550 for a five year license. They have priced the fee on the demonstrable costs of administering the license application system and not including any enforcement costs.

They have committed to considering the case for extending to additional or selective licensing, as a strong local group representing private renters, 'Hackney Renters' has lobbied hard for the introduction of whole borough licensing on the Newham model. Officers have reviewed the evidence for a link between anti-social behaviour and private rented property. The council have worked hard to tackle ASB across the borough and do not believe they can evidence any such link.

Officers also believe the leading problem for private tenants in the borough is affordability, not property conditions. As an enforcement team, their primary interest is in identifying where the worst private rented stock is located in

order to target this for effective enforcement. At this stage they do not believe they have access to adequate data. It is likely the council will consider a pilot scheme ahead of any decision on the future of licensing.

Partly reflecting pressure from 'Hackney Renters', the council were tasked with clarifying their Private rented Sector "offer" and the council's view that affordability is the key issue, the council is planning to launch their own letting agency in a bid to lower the cost of private rented sector housing. The not-for-profit agency will invite landlords to hand responsibility of their properties to the Council, which will then rent them out. In return they will guarantee rent even if the property is empty and a regular supply of longer-term tenants. Initially the scheme will target people who do not qualify for housing benefit but struggle to pay private sector rents.

The Council intends for the agency to only accept properties for letting from landlords approved by the LLAS as well as encouraging longer-term lets of at least a year. It is also aiming to stabilise the rental market while encouraging landlords to improve the quality of their homes. The scheme will not charge agency fees to tenants which can increase the cost of moving by hundreds of pounds. Like many areas of London, rents in Hackney have soared due to a surge in the popularity of the area, making prices unaffordable for many.

The Council approved the scheme in December 2013 and has started the search for landlords to become part of their property portfolio. A pilot scheme is due to launch in early 2014 and be rolled out in full in the Summer. Although the scheme is at a very early stage of development, the principle sounds similar to the Council's private sector leasing scheme.

Liverpool Health Homes Project:

Liverpool City Council has a national reputation for being a beacon of good practice in private sector housing intervention and using this as a key approach to prevention and tackling health inequalities. Their approach has been endorsed by Audit Commission, LACORS, CIH, CIEH and the Marmot Review. In spite of the strides the council have made in driving up standards, they have agreed the business case and have consulted on the introduction of additional and selective licensing scheme for the City. It is planned to begin in April 2015, although the lack of an on-line web solution to handle license applications is thought likely to delay this.

The Council managing services to 445,000 households, is a "low demand" area of housing market failure. As such it has very different characteristics to London. However, low demand has done nothing to improve the physical standards of property to let, as housing benefit levels are higher than market rents and are therefore claimants are attractive tenants to the private landlords; there is no pressure to raise standards in order to attract the higher rent levels. The problems with the private rented sector are similar to those in

Lewisham, but for the prevalence in Liverpool of long term empty dwellings (7,500), their Housing Market Renewal programme having been over-ambitious.

The City council established a major programme of private sector housing enforcement five years ago. They initially estimated they had 1,600 HMOs; after 5 years' work, they have licensed 900 of them and consider there are very few unlicensed HMOs left. The most recent data for enforcement action shows 22 actions in the last year; 95% of enforcement action is complied with and most of the real rogue landlords have now been "cleared out".

The City Council has 33 enforcement officers in the Environmental health residential team. The programme started with a major programme of proactive door knocking, to survey property conditions and health issues, using 12 data sets from the indices of multiple deprivation to rank neighbourhoods (super output areas) the worst housing stock was identified a low level of tenant awareness of their housing rights and low expectations and a resignation to poor conditions was observed.

The City council's programme is led by Environmental Health; as in Newham and Lewisham, the Planning Enforcement team play a much smaller part in the private rented sector regulation. Strong partnership was built between Environmental health and NHS health providers, who together studied HHSRS data and the link to Public Health Outcomes framework and Clinical Commissioning Outcome Indicators, to prioritise those hazards that cost the health service the most in term of treatment (cardio-vascular disease linked to excess cold, respiratory disease linked to damp and mould etc) to identify the specific types of housing investment that would result in savings to the health service.

As a result, from 2009 the NHS Primary Care Trust approved funding for the 5 year "Healthy Homes Project"; in the first 18 months of the programme, £3.29 of health funding was invested in private rented housing through the project. The programme continues and there is a budget of £1.3m for 2014/15. Much of this fund has been spent on works in default to bring about improvements in the physical standards relating to health outcomes. They commissioned an consultant to take the Building Research Establishment/Warwick University Housing Health Cost Calculator to input Liverpool data into this well developed model; this exercise demonstrated that their investment in improving poor private rented housing has an overall return on investment to the public purse of £3 savings for every £1 invested. It also captured the significant private sector leverage in housing improvement and the scale of the "trickle down" in the local economy from the construction sector.

The Healthy Homes Project also involves the co-location of housing advisers with health professionals in doctors surgeries and hospitals, undertaking a comprehensive single assessment process, targeting investment in prevention through tackling poor housing, rather than spending on treating the ill health that it causes. Data scanning is also undertaken on all patients with

conditions with links to poor housing conditions; those patients are automatically sent letters inviting them to take up housing advice.

Other features that contributed to the City Council's success include:

- "know your landlord" web pages on the Council's web site giving factual information about local landlords, their accreditations and any prosecutions
- Confidential phone line to report rogue landlords: continues to be used on average once a day
- Strong publicity for all successful prosecutions
- Use of Works in Default for the 5% of cases that do not comply

In summary, independent evaluation by the BRE of the savings from the first year of the programme shows:

- ❖ 861 HHSRS inspections removing 725 Cat1 hazards
- ❖ Private sector investment £1.37M
- ❖ Total project cost £1.07M (Inspection cost £300K)
- ❖ Ongoing NHS savings £440K (£4.4M over 10 years)
- ❖ Wider Society savings £1.1M (£11M over 10 years)

Total anticipated savings by HHP: £55 Million

Appendix III – License Conditions under the Housing Act 2004

A licence may include such conditions as the local housing authority consider appropriate for regulating all or any of the following—

- (a) the management, use and occupation of the house concerned, and
- (b) its condition and contents.
- (2) those conditions may, in particular, include (so far as appropriate in the circumstances)—
 - (a) conditions imposing restrictions or prohibitions on the use or occupation of particular parts of the house by persons occupying it;
 - (b) conditions requiring the taking of reasonable and practicable steps to prevent or reduce anti-social behaviour by persons occupying or visiting the house;
 - (c) conditions requiring facilities and equipment to be made available in the house for the purpose of meeting standards prescribed under section 65;
 - (d) conditions requiring such facilities and equipment to be kept in repair and proper working order;
 - (e) conditions requiring, in the case of any works needed in order for any such facilities or equipment to be made available or to meet any such standards, that the works are carried out within such period or periods as may be specified in, or determined under, the licence;
 - (f) conditions requiring the licence holder or the manager of the house to attend training courses in relation to any applicable code of practice approved under section 233.

The most common discretionary license conditions include the requirement for private landlords to:

- take up references for new tenants
- inspect the property condition at least every six months
- ensure adequate refuse disposal arrangements and clearance of any dumped rubbish
- arrange for pest control where necessary
- tenancy conditions to prevent noise nuisance or other ASB in the property
- work with the police and local authority in control of all ASB related to the property, including using threat of eviction

Appendix IV – Lewisham PRS Stock Condition survey results 2001

Characteristic	Owner occupied	Privately rented	All private sector stock	England
Dwellings <i>Per cent of stock¹</i>	48,410 42%	33,180 29%	81,590 71%	82.0%
Non-decent <i>As a % of each tenure</i>	17,410 36.0%	12,540 37.8%	29,950 36.7%	35.8%

Category 1 Hazard <i>As a % of each tenure</i>	9,830 20.3%	6,090 18.4%	15,920 19.5%	23.5%
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Non-decency and HMO dwellings

Turning now to the different types of HMOs and comparing their physical standards, 5,480 HMOs failed the decent homes standard. The table below shows the breakdown by non-decency criteria by HMO type.

Reasons for failure of HMO dwellings as a decent home

HMO Type	Category 1 Hazards	Disrepair	Non-Modern	Thermal comfort failure	Non-decent
HMO	24.5%	12.2%	2.0%	18.4%	34.9%
illegal conversions (Section 257)	32.2%	12.1%	10.5%	5.6%	45.1%
Licensable HMO	13.5%	17.1%	0.0%	18.0%	44.1%
Lewisham	19.5%	10.3%	2.5%	16.3%	36.7%

There are an estimated 13,410 HMOs and of these, 7,880 are houses that are poorly converted to flats, while 4,830 are small (non-mandatory) HMOs. A much smaller number, 700 properties are estimated to be larger Mandatory licensable HMOs of which to date 176 are licensed. Faster progress in identifying the 500+ properties believed to be unlicensed mandatory HMOs would be possible if the inspection programme were intelligence led, off the back of a database of probably HMOs.