

Committee: Cabinet

Date: 18 March 2024

Wards: All

Subject: Update on the Introduction of Landlord Licensing in Seven Wards

Lead Officer: Elliot Brunton, Head of Housing Needs and Strategy

Lead Member: Councillor Andrew Judge, Cabinet Member for Housing and Sustainable Development

Lead Director: Lucy Owen, Executive Director of Housing and Sustainable Development

Contact Officer: Elliot Brunton, Head of Housing Needs and Strategy

Recommendations:

A. That Cabinet note the contents of the report following the introduction of the landlord licensing on 24th September 2023.

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 In June 2023 Cabinet approved the implementation of the licensing scheme consisting of Selective Licensing in 4 wards: Figge's Marsh, Graveney, Longthornton, and Pollards Hill; and Additional Licensing in 7 wards: Figge's Marsh, Graveney, Longthornton, Pollards Hill, Colliers Wood, Cricket Green, and Lavender Fields. Selective Licensing and Additional Licensing schemes, require a licence for private rented sector (PRS) properties, and for houses in multiple occupation (HMOs) not covered by the mandatory HMO regulations (applicable to properties with 5 or more occupants from two or more households).
- 1.2 This report provides an update on the licensing scheme activity following the implementation of the landlord licensing project and live implementation of the scheme on 24th September 2023.
- 1.3 The number of properties licensable in the current financial year was predicted at 1,866. The current figures indicate that 927 applications (49%) of annual predicted total had been received as of 8th January 2024. The Council is on target for achieving the number of applications predicted for the current financial year.
- 1.4 Income to date is approximately £300,680 (subject to end of period 10 journal adjustments), which is below the financial year projection of around £985,000. This is expected as applicants need only pay Part A of the licence fee (£247.00) on application and the remaining part B when the application has been fully assessed and the Council is satisfied that the conditions for granting a licence have been met.

- 1.5 As issues relating to the new online application and processing systems have settled, the team will prioritise reducing the timescale between the part A application and Part B approval stages. This will enable earlier collection of the Part B payment receipts.
- 1.6 Recruiting permanent Enforcement Officers has proved a challenge due to sector wide recruitment issues relating to environmental health and enforcement staff across the country, as reported previously. Temporary staff have been utilised where necessary. Recruitment activity is progressing to appoint permanently to the remaining vacant positions.
- 1.7 Some customers experienced technical difficulties with the online application and payment processes, and these have been responded to promptly to resolve the issues.
- 1.8 The scheme continues to be publicised as part of the communications plan and recent social media adverts in December highlighting the approaching end of the discount period resulted in 750 clicks to the website.
- 1.9 The scheme launch featured a grace period where landlords were expected to licence their properties by 31 December 2023. As part of its enforcement role the Council is now following up on suspected licensable properties where no application was made.

2 DETAILS

- 2.1 The Council is committed to improving housing conditions in the Private Rented Sector (PRS) and to tackling the many instances of anti-social behaviour and other issues that arise from poorly managed rented properties and in particular HMOs.
- 2.2 The PRS is an important part of our housing stock and has grown rapidly in Merton. Whilst many landlords operate within guidelines, there are also others who do not, often taking advantage of some of the most vulnerable members of our community. This leads to issues affecting health and safety, the wider community, as well as the environment.
- 2.3 The licensing scheme covering seven wards is a key strand in the Council's overarching strategic approach to improving conditions in the PRS. This consists of a range of plans and strategies have been developed to achieve objectives. These include the introduction of an Immediate Article 4 Direction, which requires new small house and flat shares (small HMOs) to seek planning permission instead of being covered by Permitted Development (PD). HMOs of 7 or more people, from more than one household, already require planning permission.
- 2.4 The Council strongly believes that it is necessary to pursue a wide range of measures available to address the many issues and complaints that it receives resulting from the growth of the PRS in Merton and unscrupulous landlords. To this end, a strategic housing policy framework has been developed and will be submitted to Cabinet imminently. This brings together a wide range of existing strategies, policies and plans designed to improve the wellbeing of our communities, including landlord licensing (selective and additional licensing), the Article 4 Direction, Local Plan, Housing Delivery

Strategy, and number of other housing and community safety related strategies and plans.

- 2.5 The number of properties licensable in the current financial year was predicted at 1,866. As of 31st January 2024, 927 applications have been made, 49 % of annual predicted total has been achieved. If the 118 properties of a portfolio landlord for which alternative payment arrangements are currently being made are taken into account, then the annual predicted sum achieved is 56%.
- 2.6 The percentage of licence applications received to date does not impact on the budget, which was not set on this basis. As set out in section 6 of the report the budget is based on the estimated expenditure for the year, and the income is set as the same amount to reflect break even, as the Council must not make a profit on the scheme. We will be able to cover our costs, and there is no predicted overspend on the current numbers. Although our current numbers of licence applications are slightly lower than initial predictions, now that the initial 'grace' period is over, we will work closely with the communications team to communicate to residents how they can let us know about potentially unlicensed properties. We will also communicate to landlords the penalties for not licensing their properties.
- 2.7 Applications data for selective and additional licences (excluding 118 portfolio licences) is shown the table below. These figures indicate that the Council is on target to achieve the target licences for the financial year. Income is currently around a third of the expected financial year income of £985,000. This is not unexpected as the income at this phase of the scheme would be mostly made up of receipt of part A of the licence fee. This is due to an applicant having to pay the Part A licence fee payment of £247.00, and the remaining Part B once the application has been assessed. This is in line with legal requirements. Total Part A and B receipts due on the applications made to date is approximately £686,692, as indicated in the table below.

Predicted Licences 2023-24	Applications at 31/01/24	Total Fees Received £	Total Fees Payable
1,866	927	300,680	686,692

Year	1 (2023-24)	2	3	4	5	Total Licensable Properties
% of Total Licences	40%	50%	5%	3%	2%	100%
Selective Licence	1,643	2,053	205	123	82	4,106
Additional Licence	223	279	28	17	11	557

- 2.8 The scheme has been operational for 3 months and the team's focus has been on processing applications and responding to significant numbers of requests for assistance with the application process from landlords. Considering customer feedback changes have been made to the website and technical elements of the online process. As these issues have largely been resolved the team will prioritise reducing the timescale between the part A application and Part B approval stages. This will enable earlier collection of the Part B payments.
- 2.9 As the scheme is at a very early operational phase, there is no significant information on trends or data in respect of quality profiles of the properties assessed and visited as yet. However, initial indications are that issues being identified relate to Health and Housing Safety Rating System (HHSRS) Category 2 Hazards, associated with damp, mould, excess cold and fire safety.
- 2.10 As the operation activity continues, evaluation of trends and any findings will be reported. The focus going forward is on increasing the number of inspections and maximising the intelligence gathering and stakeholder liaison work to identify unlicensed properties for which applications should have been made. Ensuring effective and timely action including pursuing penalty notices and other enforcement actions where appropriate is a priority for the team.
- 2.11 Some customers experienced application and payment issues and these have been responded to promptly to resolve the issues. Feedback from customers has resulted in various adjustments to the e-form application process have been made to improve the customer experience.
- 2.12 As previously reported ensuring a fully resourced team to operate the scheme represented a risk as a result of sector wide recruitment problems relating to environmental health and enforcement staff across the country. Recruitment difficulties have been encountered and some posts have had to be readvertised due to failure to appoint to two permanent Enforcement Officer and the Team Leader positions in earlier rounds. Temporary staff have been utilised where necessary. A further recruitment round is being progressed to recruit to the remaining permanent staff positions in the team.
- 2.13 The scheme continues to be promoted as part of the communications plan and recent social media adverts highlighting the approaching end of the discount period resulted in 750 clicks to the website.
- 2.14 Promoting the scheme will raise awareness of the licensing requirements for both landlords and tenants. Tenants will be able to check to see if their property is licensed by requesting details from the register of licensed properties. If not registered, tenants will be able to report this to the Council. The register enquiry process is currently a manual one, and the scope for developing a website lookup facility will be explored.

3 ALTERNATIVE OPTIONS

- 3.1. None applicable.

4 CONSULTATION UNDERTAKEN OR PROPOSED

4.1. No consultation required.

5 TIMETABLE

5.1 None applicable

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

6.1 The Council must not make a profit from Selective Licensing income. Any excess income received in year will be carried forward/set aside in a holding account and may be applied against future expenditure incurred in running the schemes including staff costs and overheads.

6.2 The annual budgets will be set to balance (net nil) with equal amount of income to expenditure.

6.3 The budget for 2023/24 is £430,580 expenditure and (£430,580) income.

6.4 As at period 10 (31 January 2024), £300,680 income has been received for selective and additional licensing combined (subject to end of period journal adjustments, and refunds to be processed).

7 LEGAL AND STATUTORY IMPLICATIONS

7.1 As the report is for noting no legal and statutory implications arise.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1 None arising from this report.

9 CRIME AND DISORDER IMPLICATIONS

9.1 There are no crime and disorder implications arising from this report.

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1 None identified in relation to the licensing scheme.

11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

None

12 BACKGROUND PAPERS

[Cabinet Report 19 June 2023](#): Proposed Designation of Landlord Licensing Following Review of Consultation Results; Update on Empty Homes Project; and Update on Article 4 Direction.

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