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## Review of Licensing of Houses in Multiple Occupation 2015



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## Introduction

This report provides the findings of a review carried out on the HMO Licensing Scheme in operation in Oxford since 2011 and provides options for the future of the Scheme post 2016.

### **Why now?...**

In 2010 the Council became the first Local Authority in England to agree to designate the whole of its area subject to Additional Licensing. The scheme runs for a period of 5 years with Phase 1 commencing on the 24<sup>th</sup> January 2011 and Phase 2 on the 30<sup>th</sup> January 2012.

Under s.60 (3) of the Housing Act 2004 *'a local housing authority must from time to time review the operation of any designation made by them'*

This review fulfils the responsibility under the legislation but also provides the Council with a progress report which will be used as a platform for considering the future of the scheme.

## Background

The increase in the size of the Private Rented Sector (PRS) has been the most significant change in Oxford's housing market in the last ten years.

A number of market factors such as house prices, high demand and an increased population have resulted in an increased growth of HMOs with the current predictions suggesting there are now circa 6,900 HMOs.

Additional Licensing in Oxford provides a mechanism to secure the improvement of all of the HMO stock in the City and is a significant undertaking by the Council. When it was first introduced the overall purpose of the licensing scheme was to: ***'alleviate the housing situation by setting and maintaining minimum standards across the city in the most vulnerable sector of Oxford's private rental market'***.

This is also a major contributing factor to the Council's Corporate priority of Meeting Housing Need by the number of HMO Licence inspections carried out and by improving conditions in the Private Rented Sector.

## What is a HMO?

An HMO (House in Multiple Occupation) is defined in Sections 254 and 257 of the Housing Act 2004. An HMO can be a building or part of a building if it is:

- Occupied by persons who form more than one household, and where those persons share (or lack) one or more basic amenities, such as a WC, personal washing and cooking facilities.
- A converted building containing one or more units of accommodation that do not consist entirely of self-contained flats. (There is no requirement that the occupiers share facilities)
- A converted building consisting entirely of self-contained flats, where the building work undertaken in connection with the conversion did not comply with the 1991 Building Regulations and more than one third of the flats are occupied under short tenancies.

The HMO must be occupied by more than one household:

- As their only or main residence
- As a refuge by persons escaping domestic violence
- During term time by students

In all cases:

- Occupation of the living accommodation must be the only use of that accommodation
- Rents are payable or other considerations are provided

Under the Housing Act 2004, a **household** comprises:

- A single person
- Co-habiting couples (whether or not of the opposite sex)
- A family (including foster children and children being cared for) and current domestic employees.

Certain types of buildings will not be HMOs for the purpose of the Housing Act. They are:

- Buildings, or parts of buildings, occupied by no more than two households, each of which comprise a single person only (for example, two person house or flat shares)
- Buildings occupied by a resident landlord with up to two tenants
- Buildings managed or owned by a public sector body, such as the police, local authority, registered social landlords, fire and rescue authority and the NHS
- Buildings occupied by religious communities
- Student halls of residence where the education establishment has signed up to an Approved Code of Practice
- Buildings occupied entirely by freeholders or long leaseholders

## Key Findings of the Review

Findings from the review can be seen below and further details can be found in the **Supporting Information** section of this report. Since the introduction of the Scheme the Council has:

- Found that around **90% of HMOs** did not meet the minimum standards
- Issued licenses for **3,440 HMOs**.
- Processed over **7,000 applications** for new and renewed licences.
  - On average **80%** of applicants had to be reminded to submit a licence application.
  - During the life of the Scheme **56% of fully completed applications** were submitted without the Council having to remind applicants to provide additional information.
- Carried out a total of **19,746 visits** to HMOs.
- Responded to **2,754 complaints** about living conditions and management of HMOs.
- Seen a **positive impact** in the reduction of the number of service requests received since the introduction of the scheme.
- Attached around **80,339** mandatory and discretionary conditions to achieve minimum standards at all licenced HMOs.
  - Around **49,000** discretionary conditions have been required on licences to deal with a lack of acceptable minimum standards and management.
  - **12,600** related to Fire safety
  - **35,000** to Health and Safety, and
  - **1,600** to amenities and facilities.
- Identified that during April 2013 and June 2014 around **34%** of works to **comply with licence conditions** had been completed at the time of a re-inspection; **26%** had **outstanding licence conditions** and **16%** had **outstanding conditions and additional conditions required**.
- Found that **14%** of renewal applications received had **conditions outstanding**.
- Estimated that around **£3.2 million** has been invested into improving HMOs during the life of the Scheme.
- Undertaken **87 formal investigations** the majority which related to failure to licence a HMO.
- Prosecuted **38 cases** and issued **26 cautions** for breaches of regulations.
- Made **5 Interim Management Orders** to take over control of the management of HMOs where the landlords have failed to licence and put the occupant's health, safety and welfare at risk.
- Made **1 Rent Repayment Order** requiring the landlord to repay over £5,000 of rent that was paid through housing benefit.
- Investigated **42 HMOs** found to have 'unlawful dwellings' in the rear garden.
- Implemented a **clearer and fairer fee structure** to provide charges that reflect the amount of time spent dealing with 'good' landlords in comparison to time spent 'chasing' 'bad' landlords.
- Introduced **longer licences** and **fee incentives** for 'good' landlords.
- Accredited **94 Landlords and Agents** through the Councils Landlord Accreditation Scheme.

## Supporting Information

### The National Picture

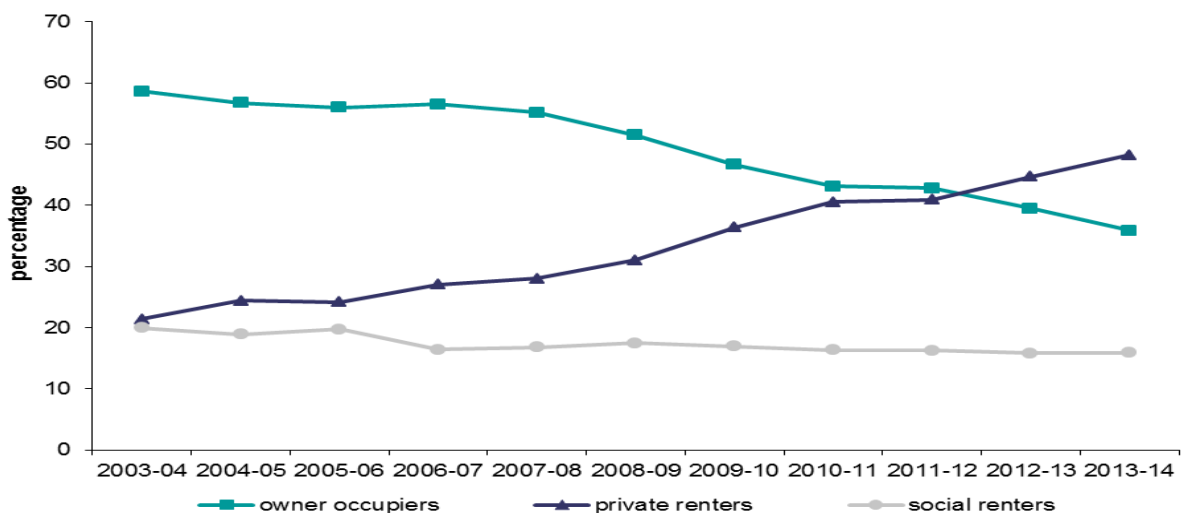
The Office for National Statistics projections indicates that there will be a population increase in the UK by 11 million over the next two decades. People are growing older and living longer. It is estimated that over the next 2 years the over 65's will increase by 7 million.

2.9 million people aged 20-34 are currently living with parents and for many home ownership is no longer a tenure of choice or aspiration resulting in the Private Rented Sector (PRS) being the only viable housing option for most newly forming households.

The English Housing Survey 2013/14 (EHS) reported, in February this year that the PRS has now grown to 19%, up from 18% in 2012-13 and 11% in 2003 and that nearly half of 25- to 34-year-olds rent their home.

Figure 1 - The table of results, from the EHS 2013/14, below shows where the majority of 25- to 34-year-olds owned their own home in 2004, however those born just a decade later are now far more likely to be renting from a landlord. As can be seen the 'tipping point' appears to be between 2011 and 2012.

**Figure 1 – Tenure profile for 25-34 year olds**



Further analysis shows that a full 59% of 25- to 34-year-olds owned their own home 10 years ago, but by 2014 this number had crashed to 36%. Rising house prices have seen many young people priced out of buying a home while the percentage of young people renting their homes from a private landlord has more than doubled in a decade and now stands at 48%.



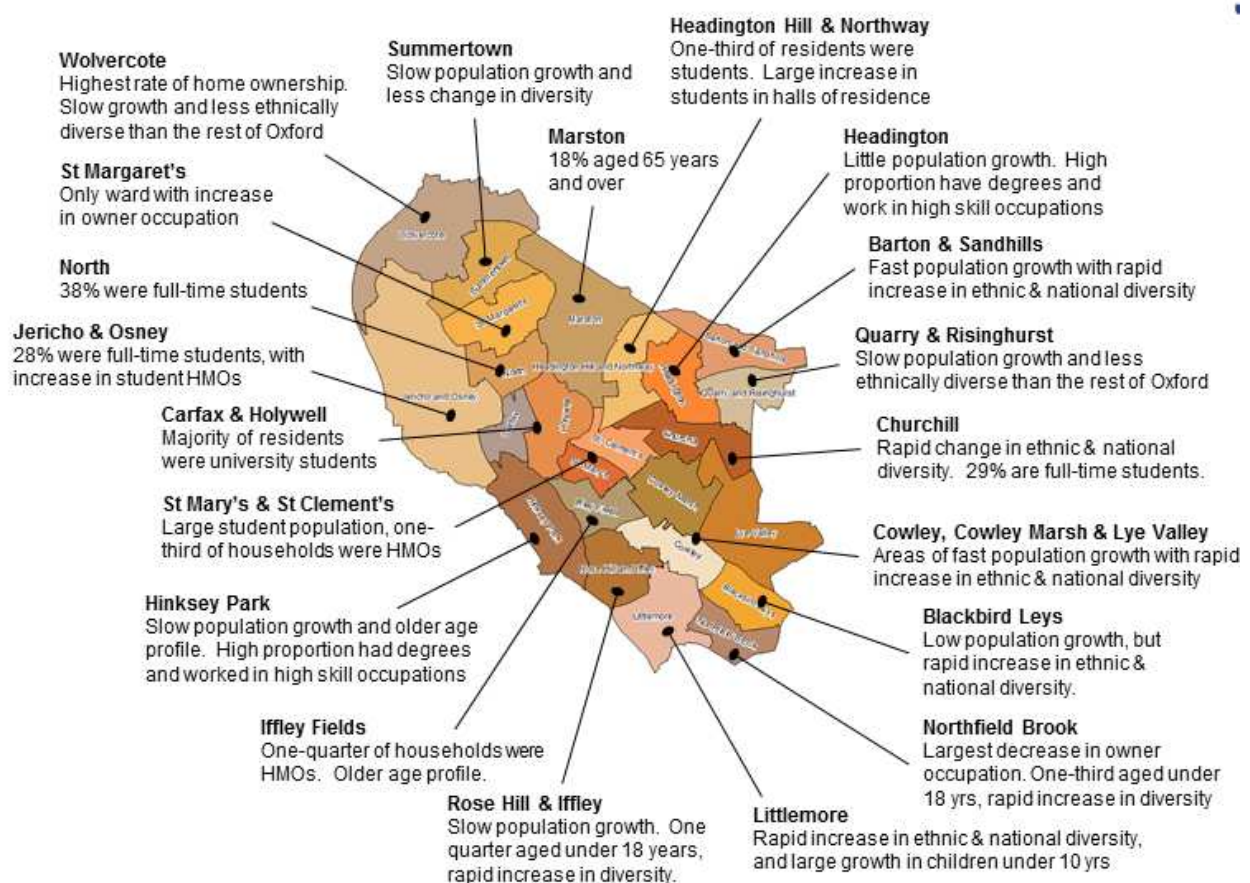
Households containing two or more families were the fastest growing household type in the decade to 2014, increasing by 56% to 313,000 households.

The rental market has also changed considerably. After stalling in 2013, rents charged by private landlords increased by 8.2% in 2014 across England with the average weekly rent climbing from £163 to £176.40.

## Oxford Picture

Oxford's population has increased by 12% in the last decade. Figure 2 below provides a snapshot of how this has impacted on the 24 different wards.

**Figure 2 – Ward profiles**



Census 2011 data suggests that it is the younger population that is on the increase with a decline in the over 75's.



Currently 34% of the population of Oxford is aged between 20-35 years and the area has the highest proportion of students in England and Wales.

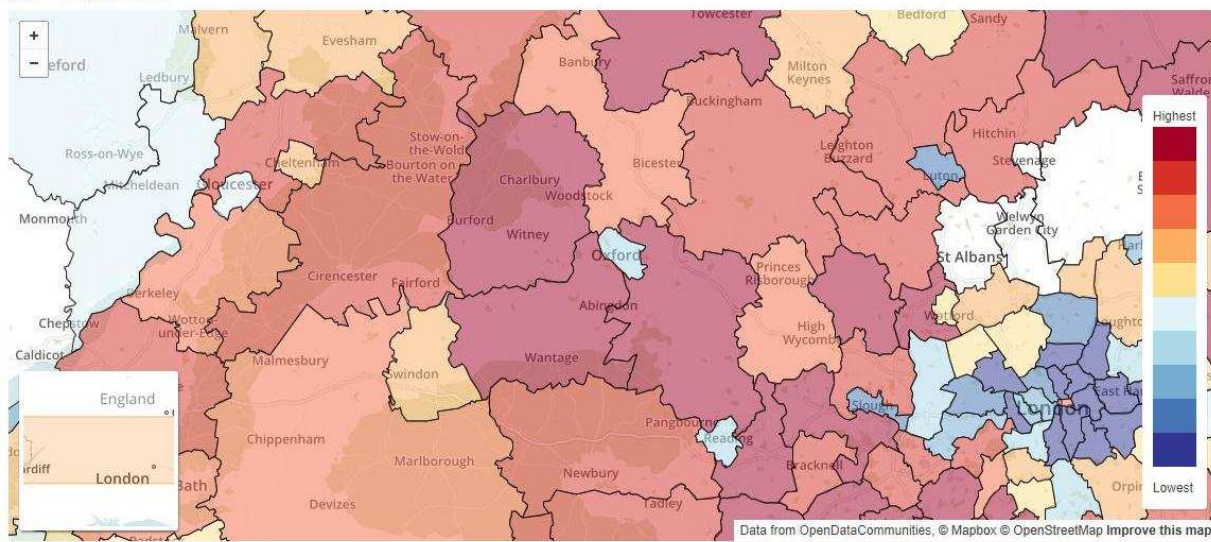
The English Indices of Multiple Deprivation (IMD) is used to identify small areas of England which are experiencing multiple aspects of deprivation. Seven domains of deprivation are combined to produce the overall Index of Multiple Deprivation. Each domain contains a number of component indicators including Income, Employment, Health and Disability, Education Skills and Training, Barriers to Housing and Other Services, Crime and Living Environment.

It puts the 326 Local Authority Districts into a rank order based on the population weighted average rank of all areas with a rank of 1 being the most deprived.

Figure 3 below shows the summary measure of the Index of Multiple Deprivation 2010 at local authority district level for Oxford and the surrounding area. Oxford is ranked 111 out of all 326 Local Authority Districts.

**Figure 3 - IMD Rank for Oxford in 2010**

IMD rank 2010



The Oxford Strategic Partnership was founded in 2003 to promote joined-up approaches for improving quality of life in the city. The Partnership helps to provide direction for the city's future, respond to local priorities, and engage more effectively with local concerns.

The aims of this Partnership are:

- To provide a clear and ambitious vision for the future of Oxford, developing its environmental, economic and social life in a positive and sustainable way;
- To improve the quality of life of all sections of the community, to reduce inequalities, and support the needs and aspirations of citizens in their local areas;
- To foster and promote closer working between local agencies to deliver responsive and high quality services across the city.

The ambition of our partnership is that Oxford should be a city in which all our citizens feel happy to live and experience a high quality of life. We want Oxford to be a world-class city for everyone.

The Councils Corporate Plan takes forward the main themes agreed by the Council in recent years. It reaffirms the Council's ambition – developed with the Strategic Partnership and partners, including local businesses, community organisations, the health and education sectors and the county council – **to make Oxford a world-class city for all its citizens.**

This ambition is driven through five corporate priorities which directly address the needs of the city:

- A vibrant and sustainable economy
- Meeting housing needs
- Strong and active communities
- Cleaner greener Oxford
- An efficient and effective council.

The Councils Housing Strategy 2012-2015 – Meeting Housing Needs links into the sustainable community strategy for Oxford by, firstly, contributing directly to the first flagship priority of 'affordable housing', and secondly, by linking the provision of such housing to the overall delivery of a healthy, vibrant and equal city for all residents.

The aim of the community strategy is, 'A world class city for everyone'; with five flagship issues prioritised:

- 1) Affordable Housing
- 2) Health and Social Inclusion
- 3) Climate Change
- 4) Quality of the Public Realm for Residents and Visitors
- 5) Safer, Stronger, More Cohesive City.

The Housing Strategy also links into the Corporate Plan by contributing to the delivery of the key corporate priorities, principally 'Meeting Housing Needs' but also in supporting the economy through housing provision of current and future residents and workers and also, through ensuring communities have stable and safe places to live.

The Environmental Health Service "**seeks to protect & sustainably develop the environment for all people living, working or visiting our City.**" Through education, engagement and enforcement activities in the spheres of people, place and the environment the service works to deliver a cleaner, greener, safer Oxford now and for the future.

The service has been working with landlords to improve conditions within the HMO stock of the city since the mid 1980s. A dedicated multi-disciplinary team was created in 1990 to tackle the growing problems within the HMO stock in the city and this approach has continued following the

introduction of the licensing scheme. This includes a bespoke accreditation scheme that links to licensing of HMOs, regular landlord events and a landlords newsletter.

A variety of interventions have been used in Oxford to tackle problems in the HMO stock in the city. These range from providing advice and support to landlords and tenants through to the use of legislative powers to raise standards within HMOs. In 1999, for example, Oxford successfully introduced a HMO registration scheme in part of the city, which had special control provisions.

One of the consequences of the registration scheme was the migration of rental properties to other parts of the city as landlords and agents tried to evade regulation.

In 2004 the Environmental Health service was reorganised and dedicated teams were set up to proactively work in this area and concentrate on mandatory HMO licensing and service requests.

With the introduction of the Additional Licensing Scheme the service was structured with two new teams to concentrate on HMOs, the HMO Enforcement Team and the HMO Licensing Team. There is a very close working relationship between the two teams. The service provided by the HMO Enforcement Team is supported by a Tenancy Relations Officer who works alongside them, providing advice and assistance to landlords and agents about their rights and responsibilities.

Where serious breaches occur legal action has been taken which has led to convictions and in some cases imprisonment. In many cases the Tenancy Relations Officer prevents homelessness through their involvement with proactive casework.

The primary driver for all of the work carried out by the HMO Enforcement team is the protection of the health, safety and welfare of residents living in HMO's whether it is acting in an advisory role or regulatory role through enforcement. The outcome of this work is a healthier and safer environment in which people live.

Operational partners include the various teams within the Environmental Protection Service, Direct Services, Housing Department and Planning and Development Services.

The teams within these service areas all contribute to the Councils Corporate objectives and there are also strong links with external agencies including in particular Thames Valley Police and Oxfordshire Fire and Rescue Service.

An Officer from TVP has worked closely with the Council for the past 10 years through Oxford's Safer Community Partnership and has carried out numerous joint operations in relation to HMOs.

Oxford City PCT also supports the delivery of the scheme with links between health visitors and Environmental health used to identify HMOs being occupied by families with young children and new born.

The relationship with private landlords and letting agents within the city and other stakeholders has developed over the last ten years. A Landlords Information Exchange is held at least twice a

year and attendance has grown each time an event is held. The service also meets with letting agents, college domestic bursars and other strategic partners on a regular basis.

The Council also operates a Landlord Accreditation Scheme, details of which are provided later in this report. Despite this many landlords remain disengaged until formal action is pursued by the Council.

## **Housing in Oxford**

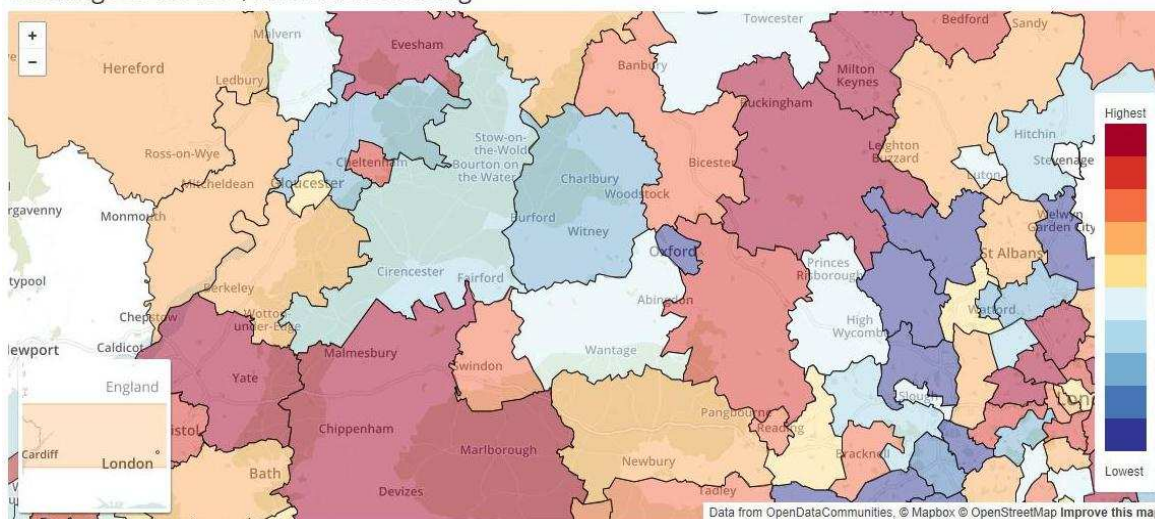
According to the Lloyds Banking Group 'Oxford continues to be the UK's least affordable City', with some of the highest rents and market values in the South East of England, 'at an average price of £340,864, houses in Oxford are relatively more expensive than the average earnings in the city, partly due to Oxford's attractiveness to commuters working in London'.

More recent research, carried out by Oxford University, concluded that the average cost of a house in Oxford has risen by almost £38,000 during the past year and now stands at £426,720, making Oxford homes the least affordable in the UK.

Statistics from the IMD support this research and can be seen in Figures 4 and 5 below which rank Oxford as zero (0) making it the least affordable City in the UK.

**Figure 4 – IMD Affordable Housing 2013-2014**

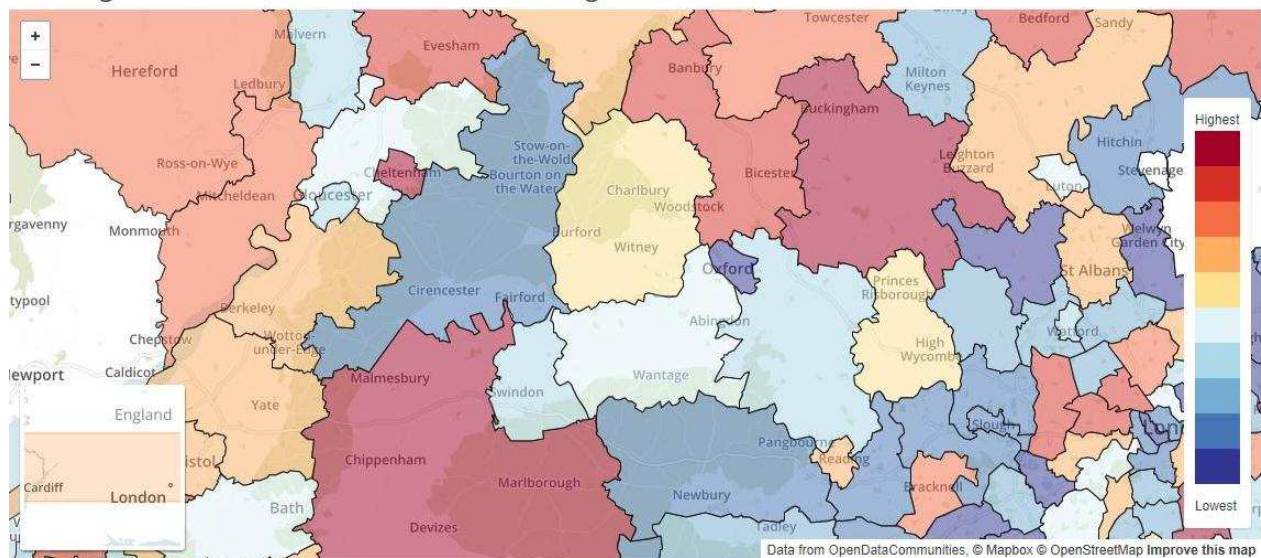
Dwellings 2013-2014, Affordable housing





**Figure 5 – IMD Affordable rented housing 2013-2014**

Dwellings 2013-2014, Affordable rented housing

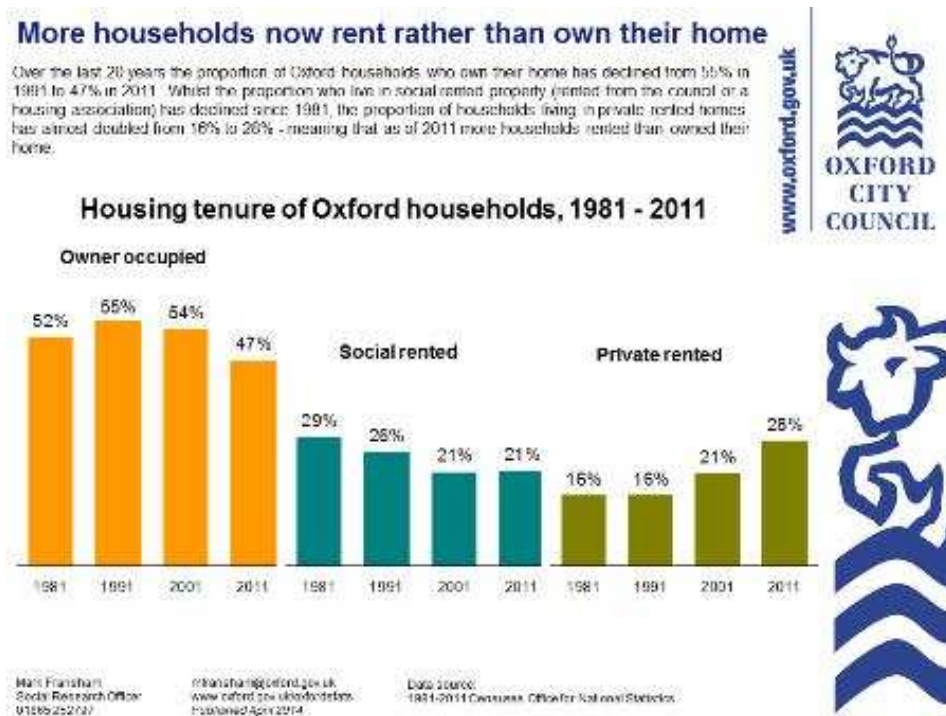


High house prices create a situation where younger people and low income households are not able to access the owner occupation market leaving the PRS as the only viable option for accommodation.

### **The Private Rented Sector in Oxford**

The tenure profile in Oxford has changed considerably since 1981. The PRS is now larger than the social rented sector and based on the pattern over the past ten years the potential is for it to be larger than the owner occupied sector in the next 20 years.

**Figure 6 – Tenure profile in Oxford**



In 2011 the private rented sector (PRS) in Oxford had grown by almost 50% over the past 10 years from approximately 11,000 households in 2001 to 16,000. The sector made up for 28% of housing accommodation in Oxford compared to 17% in England.

A long term housing shortage where demand is high and availability is low provides an opportunity for landlords to offer less than perfect accommodation without any problems of finding a suitable tenant.

Rental values in Oxford have increased, on average by 11% between 2011 and 2014 compared to 7% in England. According to the Valuation Office Agency the average weekly rent for a property in Oxford was £294.25.

Local Housing Allowance rates in Oxford have also increased, below inflation, with the average LHA rate for 2014 being £219.73 p/w.

A comparison was conducted to assess the movement of rental values for single rooms and, in particular if licensing of HMOs has had a direct impact on increasing rental values in areas which had licensing schemes and those which did not have licensing schemes.

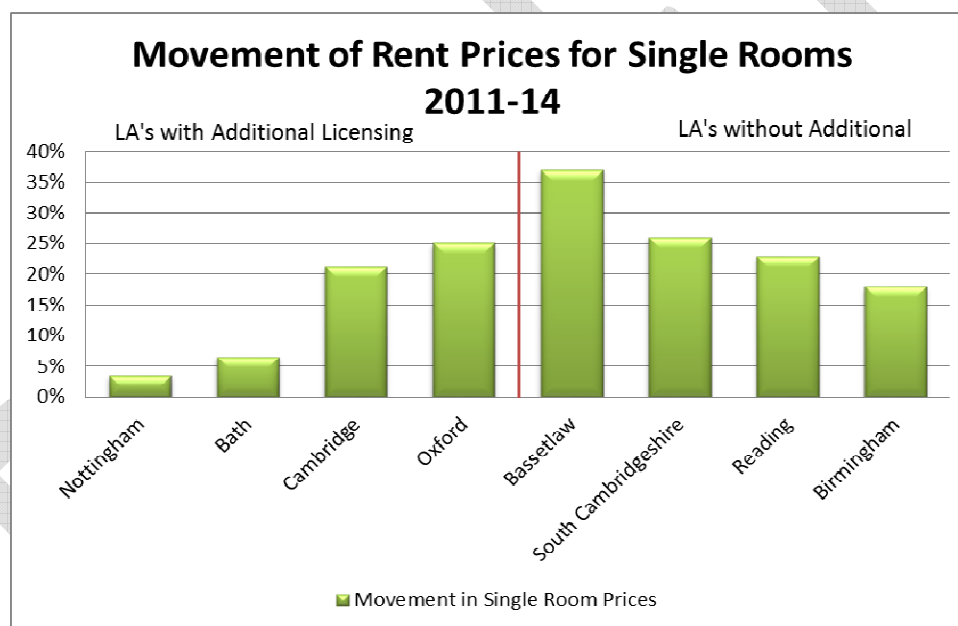


Figure 7 below provides the results of this comparison and although it shows that in Oxford there has been a considerable increase in rental values of single rooms, it is not dissimilar to increases experienced in other areas across the South East region and England where additional licensing schemes are not in operation.

The supply of housing in Oxford is driven by the situation where demand is high and availability is low and as already discussed, in the PRS this provides an opportunity for landlords to offer less than perfect accommodation without any problems of finding a suitable tenant.

These pressures on housing provision are inevitably going to result in high rental values so it is no surprise that increases have occurred however, there is no evidence to suggest that licensing increases rent, more likely that the undersupply in property in Oxford has driven up rents as a market force.

**Figure 7 – Comparison of Rents in Areas with and without Licensing**



## **HMOs**

HMOs are a major concern in Oxford. It is estimated that Oxford has the 14th highest number of HMOs in England and Wales. Only the large metropolitan and unitary authorities and some London Boroughs contain more.

They form an unusually high percentage of houses in the city and it is estimated that 1 in 5 of the resident population live in an HMO. 28% of the working population of Oxford are students who typically live in HMO accommodation.

Planning policy has been developed by the Council to create 'mixed and balanced communities', which looks to limit the levels of HMOs in the sector so that there is a spread of sustainable and viable options for accommodation but despite all this the Council still have massive numbers of HMOs in the PRS.

In May 2005, the Council published the Private Sector House Condition Survey (HCS), which comprised a physical analysis of dwellings and a short socio-economic interview of inhabitants. It was estimated that there were 5,069 HMOs at the time of the survey.

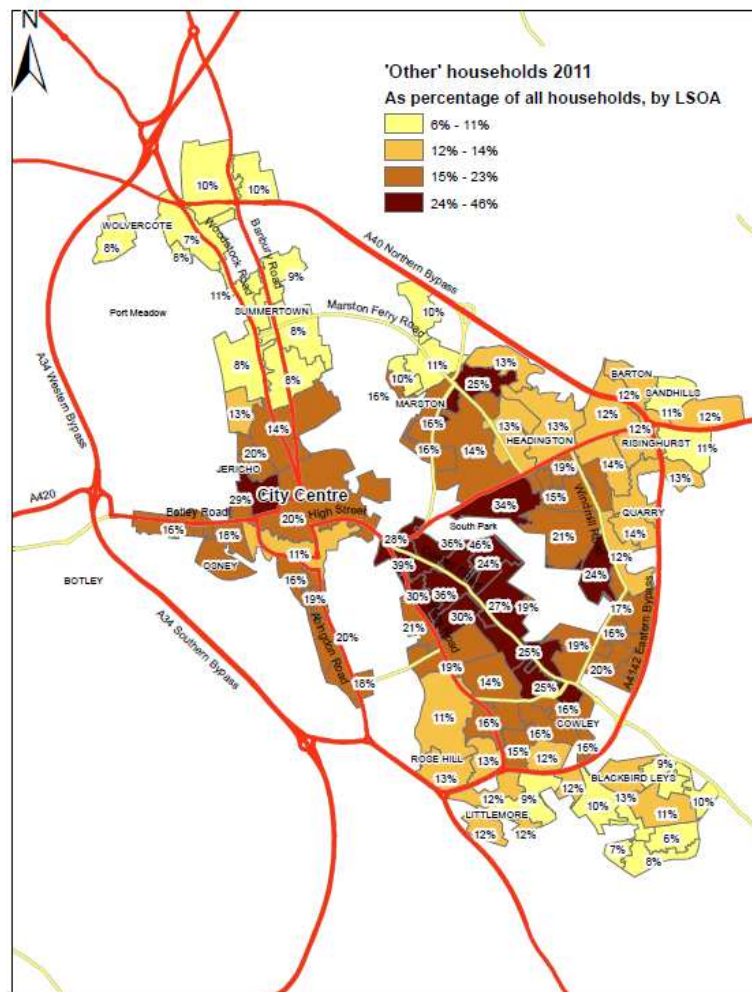
A large proportion of HMOs, at the time were found to be in the private rented sector (77.5%) – in comparison, at the time 26.0% of all dwellings in the city are in the private rented sector.

The trend over many years has been for the HMO stock to grow steadily within the City.

Recent data from the Census 2011 suggests that HMOs currently make up 44% of the PRS (approx. 7,000 HMOs). This shows an increase of 36% over the past 6 years.

This has been presented in Figure 8 which shows other households as a percentage of all households across Oxford.

#### **Figure 8 – Other households in 2011**



Future growth is, of course, difficult to predict but if the PRS was to continue expanding similarly in the next decade then the numbers of HMOs in Oxford could potentially be circa 10,000 by 2021.

The problems associated with living in a HMO have been well documented over the years and are known to professionals working in the sector.

In the 1980's the then Department for Environment (DOE) commissioned a survey of HMOs which noted that *"four fifths lacked satisfactory means of escape – and that – risk of death or injury from fire in a HMO is ten times that in other houses"*.

The English Housing Survey (EHS), which is an annual survey conducted to *"determine people's housing circumstances and the condition and energy efficiency of housing"* Department for Communities and Local Government (2014) *English Housing Survey – Headline report* DCLG February 2015, reported that HMOs are often old, solid wall properties with low levels of insulation and sometimes expensive electric heating systems and.... *"Section 257 HMOs pose particular problems because they are by definition older, poorly converted properties"*.

The Council's Private Sector House Condition Survey (HCS) 2005 indicated that in Oxford around 62% of HMOs were shared houses and 17% were lacking in basic fire detection with 62% relying upon battery operated smoke detectors. Generally HMOs also had higher repair costs than other dwellings and although the majority had the use of basic amenities the sharing ratio of 1.5 persons was extremely prevalent.

The experience over the years, in Oxford, is that some of the worst conditions are present in HMOs.



### **Planning and HMOs**

HMOs occupied by between three and six unrelated individuals are defined as Use Class C4 by the Town and Country Planning (Use Classes) Order 1987 (as amended). Dwellings occupied by families or less than 3 unrelated people are defined as Use Class C3.

The government has granted planning permission in the form of permitted development rights for changes of use between these two Use Classes. Because of the potential implications of large

numbers of properties in an area changing to Use Class C4, the Council has removed the permitted development right to change between use Class C3 and Use Class C4.

Dwellings with Use Class C4 however still have permitted development to change back to a dwelling (Use Class C3).

This change came into effect on February 24<sup>th</sup> 2012 and means that planning permission is now required from the Council to change the use of a dwelling to an HMO in Use Class C4.

Any property already in Use Class C4 before this date does not need planning permission to continue as an HMO.

Since the introduction of the Article 4 direction there has been a total of 49 applications for changes of use (from family house to C4 HMO) were determined by the Council. 34 of these applications were approved, 15 were refused.

### Licensing of HMOs

Mandatory Licensing of HMOs was introduced by the Housing Act 2004 and the Council implemented a rigorous approach to processing the requirements of the legislation, insisting that the licence must be more than just a piece of paper.

The process was used to upgrade each property to a decent standard with all licences being issued **after an inspection** of the HMO. This enables the Council to have a positive impact on the condition and management of 581 properties.

Where compliance was not achieved enforcement was pursued giving tenants and neighbours confidence that the City Council are serious about addressing the issues around HMOs.

In 2005 the larger HMOs subject to mandatory licensing accounted for approx. 12% of the total HMO stock. Current estimates suggest this figure is now approx. 8%, many having been converted to self-contained flats.

The preferred stance of the Council is that licensing should apply to *all* HMOs in the same way, for example that all drivers need a driving licence. The new powers gave the Council the opportunity to make this a reality.

Prior to the designation of the licensing scheme the Council had used existing powers to their full extent, took more prosecutions against landlords than any other Council in England or Wales but it still wasn't enough and concluded that more needed to be done.

With the introduction of additional licensing controls applied to the whole of the HMO sector the Council was able to take a reactive and proactive approach to dealing with the sector.

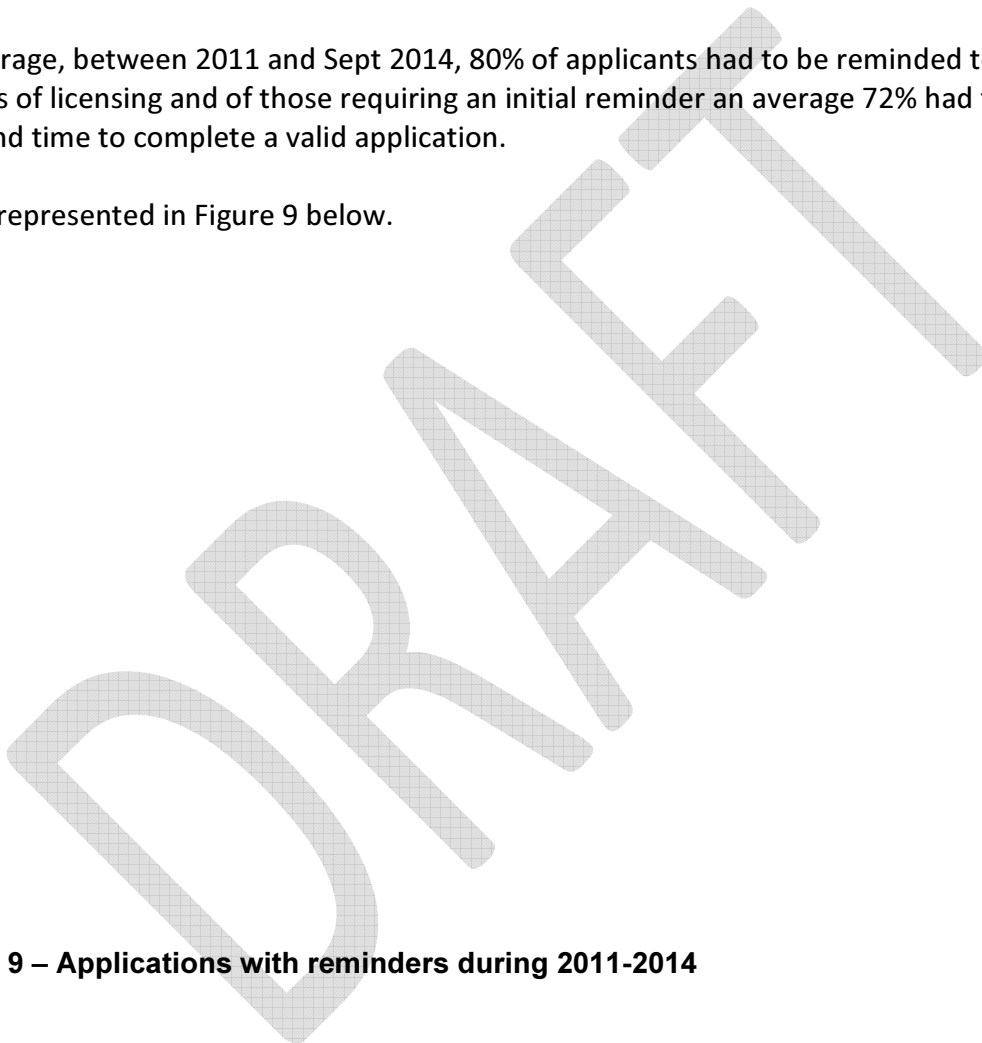
## Processing HMO Applications

Although the Council has a responsibility to ***'take reasonable steps to secure that applications for licences are made'*** for HMOs, the legislation makes it clear that the responsibility to submit a valid application and licence a HMO lies squarely with the owner/landlord.

The trend over the past few years of the scheme has shown that, unlike other licensing regimes, the Council has had to take a more positive role in reminding applicants about the responsibility to licence a HMO.

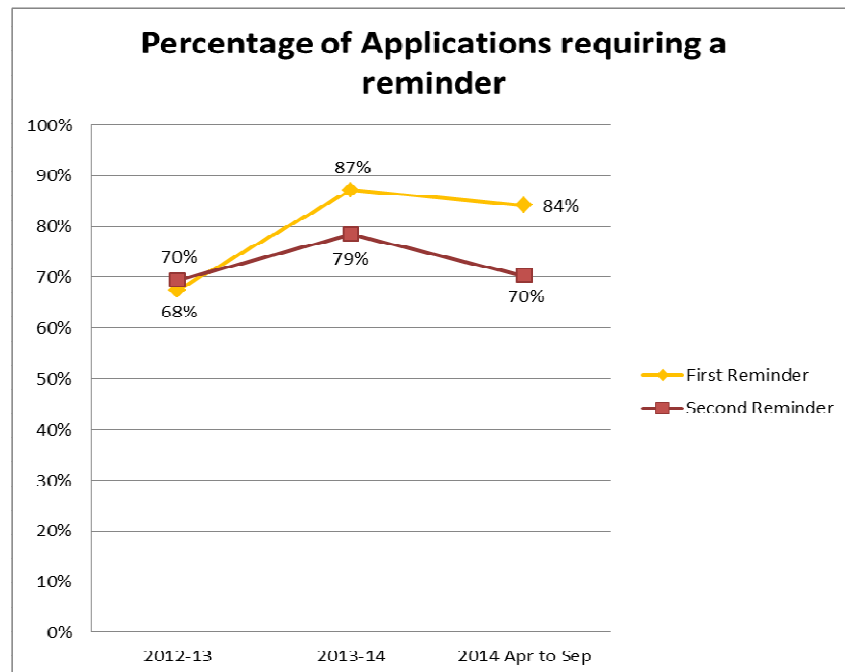
On average, between 2011 and Sept 2014, 80% of applicants had to be reminded to complete the process of licensing and of those requiring an initial reminder an average 72% had to be prompted a second time to complete a valid application.

This is represented in Figure 9 below.



**Figure 9 – Applications with reminders during 2011-2014**

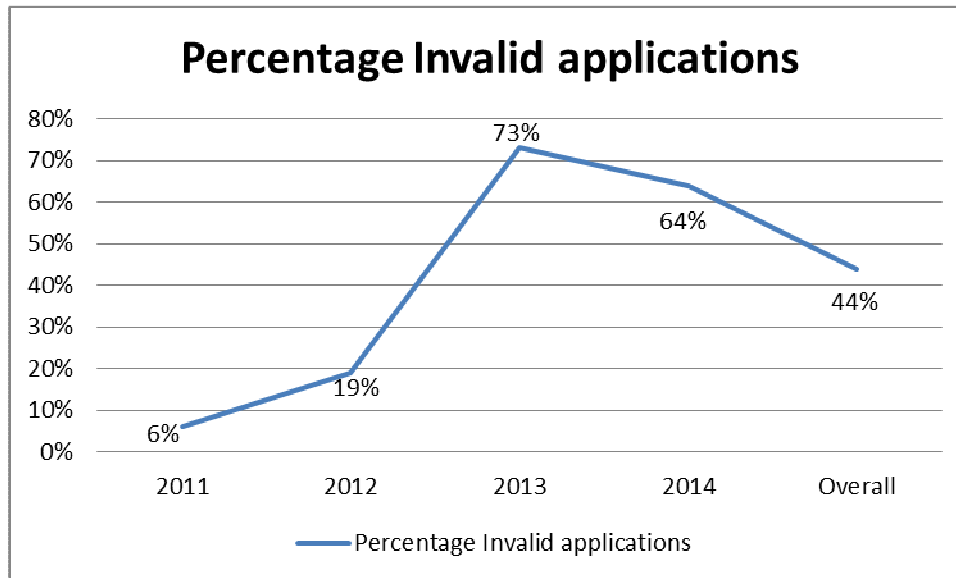




During the life of the Scheme around 56% of applicants submitted all of the necessary documentation to enable the Council to process their application and begin the process of setting conditions and licensing.

As can be seen from Figure 10 below, during the early years around 6% of applicants did not submit valid applications and as the Scheme progressed this peaked in 2013 to 73%.

**Figure 10 - Percentage of Invalid Applications**



Once a valid and complete application has been received the Council carries out inspections to set conditions and, in the case of a renewal application, check compliance.

Further inspections are also carried out to address any concerns raised in relation to confidence in management and issues of disrepair or poor standards.

The Council has carried out a total of 19,746 visits to HMOs to address a variety of issues.

Service requests are dealt with by the Council reactively and can include issues regarding landlord / tenant disputes, noise, rubbish and disrepair or poor conditions. In the two years prior to the introduction of the licensing scheme the Council received around 8900 service requests and during the first two years of the scheme these overall figures dropped to around 4,600. Further analysis for the past two years has shown that this decreased slightly to around 3,500.

Tables 1 and 2 below provide a breakdown for different categories showing the comparison between the number of service requests dealt with 2 years before and after licensing and for the past two years. With the exception of tenancy issues and noise there has been a positive impact to the reduction in service requests.

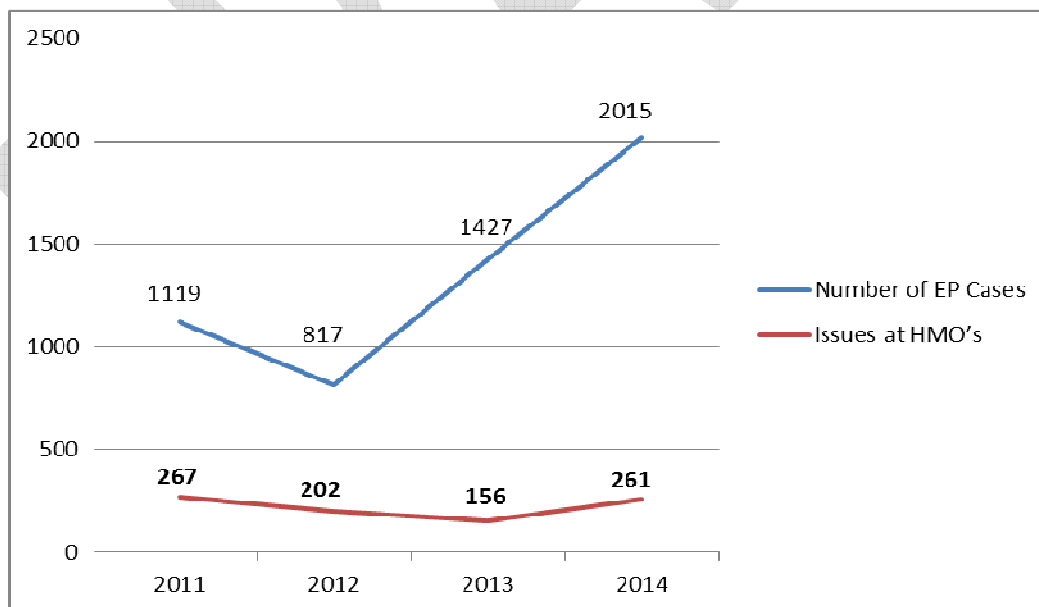
**Table 1 - Service Requests before and during Licensing**

|                 | July 2008 to Jan 2011 | Jan 2011 to July 2013 | July 2013 to Jan 2015 | Change from July 2008 to Jan 2011 | Change from Jul 2013 to Jan 2015 |
|-----------------|-----------------------|-----------------------|-----------------------|-----------------------------------|----------------------------------|
| Tenancy Issues  | 1152                  | 1221                  | 811                   | Up 6%                             | Down 34%                         |
| Noisy parties   | 600                   | 256                   | 552                   | Down 57%                          | Up 54%                           |
| Rubbish         | 4822                  | 1641                  | 1518                  | Down 66%                          | Down 7%                          |
| Poor conditions | 2332                  | 1459                  | 674                   | Down 37%                          | Down 54%                         |

In addition to these requests the Council's Environmental Protection Team, who deal with the prevention of anti-social behaviour (ASB), environmental crime and support the Cleaner, Greener Oxford campaign, also dealt with concerns about a number of issues at HMOs.

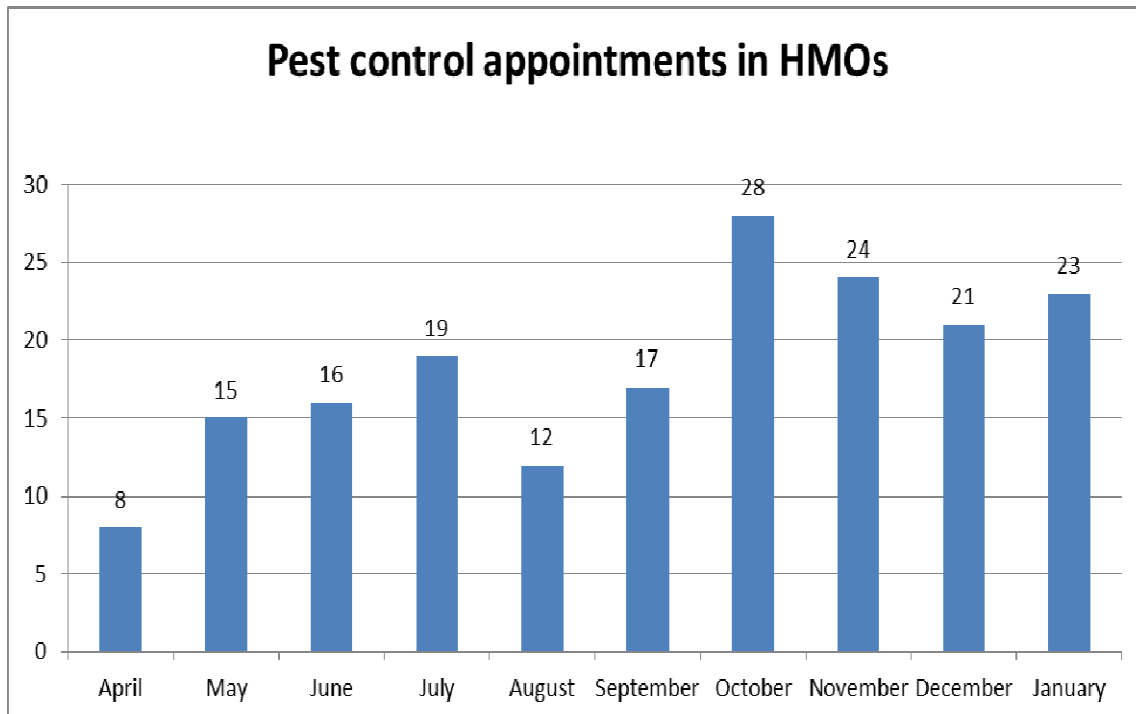
During 2011-14 the Service responded to approximately 1,040 service requests relating to HMO's. Figure 11 below provides the breakdown for each year.

The spread of service requests regarding HMOs is not restricted to one particular area of the City and the issues highlighted are found to be widespread.

**Figure 11 – Number of Environmental Protection Service Requests at HMOs 2011-14**

As mentioned earlier the issues associated with HMOs are far reaching and impact on the work of a variety of other teams, for example during 2014 the pest control service saw 21% of their appointments were in HMO's. Figure 12 provides a breakdown.

Figure 12 - Pest Control cases in HMOs during 2014



### Energy Performance Certificates

The Energy Act includes provisions that will affect the private rented sector – both residential and commercial. From April 2016, private residential landlords will be unable to refuse a tenant’s reasonable request for consent to energy efficiency improvements to a property, where a finance package such as the Green Deal and/or the Energy Company Obligation is available.

Furthermore from April 2018, it will be against the law to rent out either residential or commercial premises where a minimum energy efficiency standard has not been achieved. The rating is likely to be EPC rating ‘E’.

Once this provision comes into force, landlords will not be able to let that property until appropriate certain energy efficiency improvements have been made. This means that landlords of buildings that are currently rated ‘F’ have some time to make the necessary improvements.

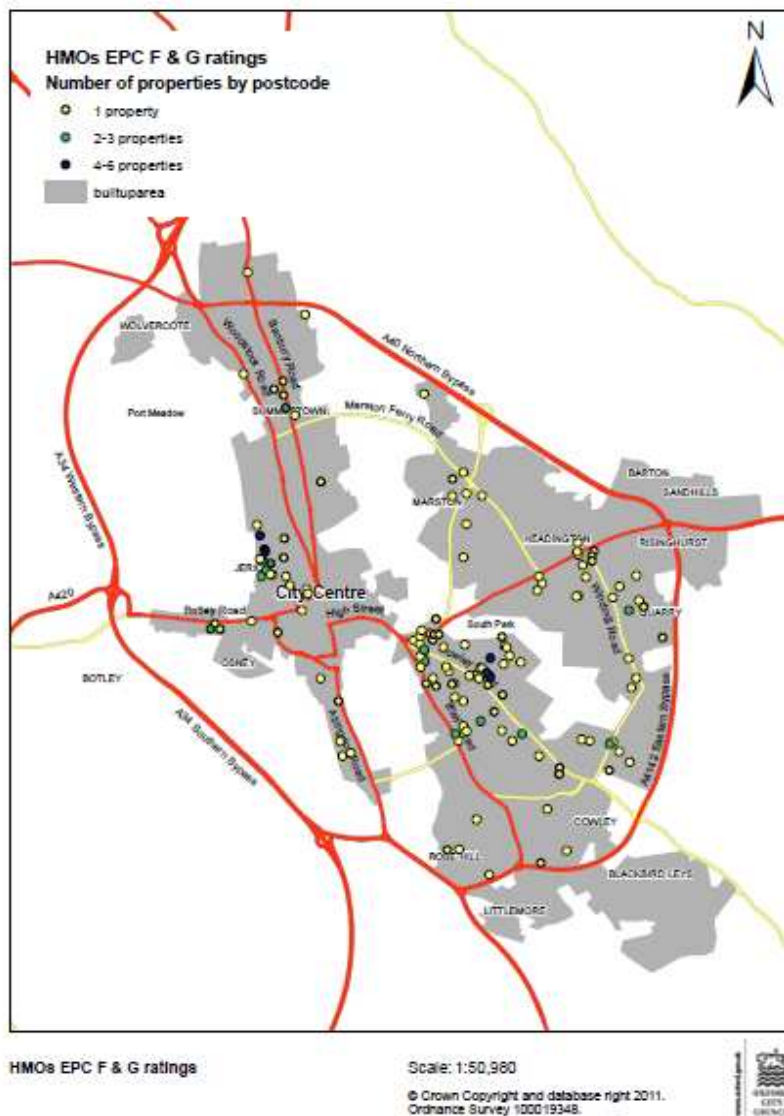
However, it is important to note that 1 April 2018 is a long-stop date and the rule could be applied earlier than this.

The Council has been leading the way with new initiatives to deal with energy efficiency in HMOs. During 2013-2014 the Council analysed 2554 EPC certificates and noted those that scored F and G. The results of this study are shown in Figure 13 below. New licence conditions are being

developed to provide landlords of HMOs with the opportunity to complete improvements in advance of these requirements.

This will make an important contribution to the Council’s carbon reduction targets because by improving energy efficiency in HMOs the PRS is making a positive step to reducing carbon emissions from buildings across the whole of the City.

**Figure 13 – Distribution of F and G rated EPCs**



## **Licence conditions**

Under the legislation the Council must include a range of conditions requiring the licence holder to address matters regarding gas safety, electrical appliances, furniture, smoke alarms and details of the occupants.

These are applied by all Councils across England and Wales and are often referred to as the 'mandatory conditions'.

During 2011 to 2014 the Council included, on average, 10 mandatory conditions to every licence. In addition to the mandatory conditions the Council also included discretionary conditions which covered four broad areas relating to HMOs.

**Legal and Standard Conditions** – these covered aspects relating to the 'mandatory' legal conditions and standards conditions required to deal with the management of the property as a HMO and whether circumstances existed that were reflective of ineffective or unsatisfactory management, for example, gas safety, electrical safety, changes in circumstances, displaying contact details and licence etc..

**Fire Safety Conditions** – these are specifically over and above the mandatory conditions and would include such matter as fire separation, additional detection and providing fire safety equipment etc..

**Amenities and Facilities Conditions** – these conditions would relate to cases where there were not enough facilities or amenities present within the property for the number of people living there. This typically includes providing amenities such as kitchens or bathrooms and facilities within those elements.

**Health and Safety Conditions** – conditions regarding health, safety and welfare matters are also applied to licences. These cover items which do not constitute a serious hazard under the Health and Safety Rating System and therefore can be addressed through the licencing process.

Figure 14 below shows the average number of conditions applied per licence (new and renewals) across the 2011 to 2014 period. It suggests that on average every single licence issued or renewed required a minimum of 4 additional conditions, over and above the mandatory conditions, requiring work to be carried out to improve the standard of HMOs in the City.



**Figure 14 – Average conditions per licence**

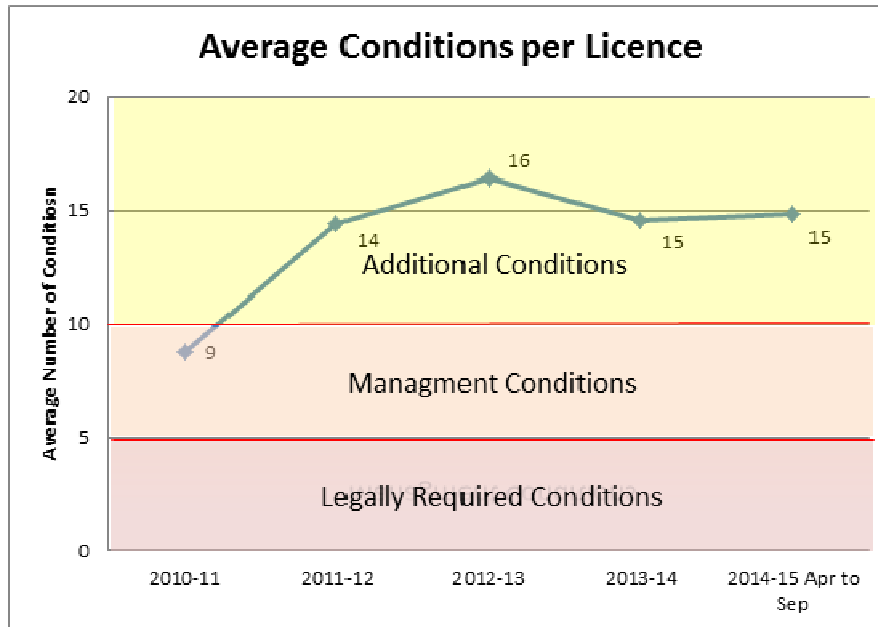
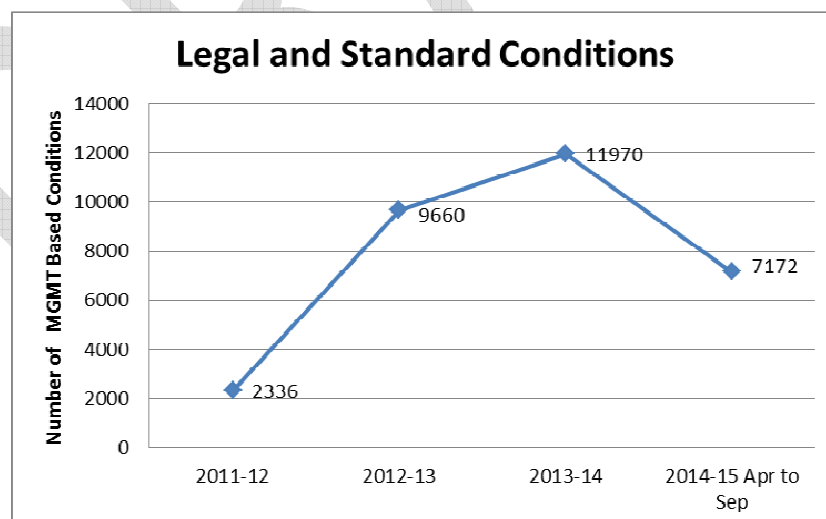
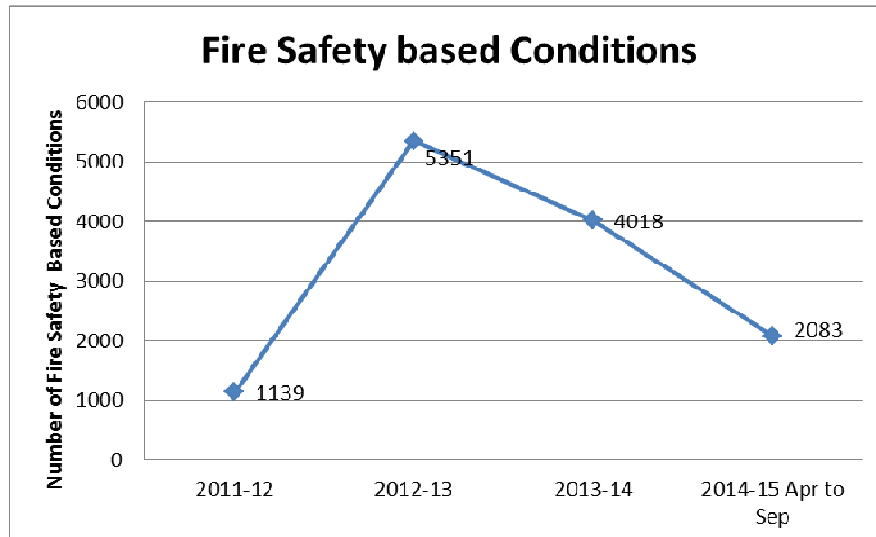


Figure 15 below shows the number of legal and standard conditions that have been attached to licences during the period 2011- 2014 and clearly show that after a peak of conditions regarding management issues there has been a gradual improvement in this area since 2013-14. It is however clear that there is still some work to do to address management issues in HMOs.

**Figure 15 – Legal and Standard conditions**

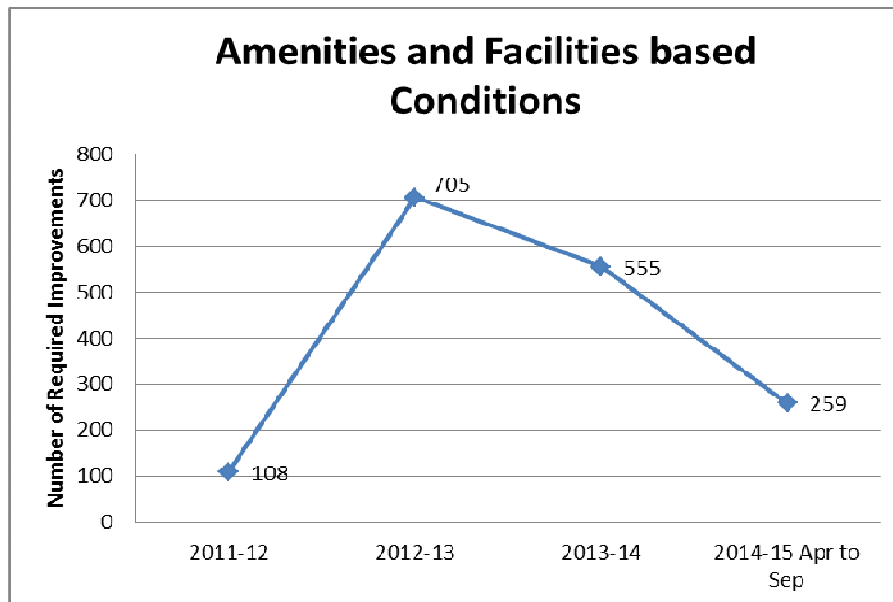


Figures 16, 17 and 18 below provide a breakdown of those discretionary conditions that were required on licences between 2011 and 2014 to improve conditions relating to fire safety, health and safety and amenities and facilities.

**Figure 16 – Fire safety conditions**

The significant peak of conditions relating to fire safety suggests that during the early years of the scheme there was a lack of fire precautions in HMOs. This is supported by the findings of the HCS 2005 which was discussed earlier. The fall in numbers over the past 6 months indicates improvements in fire safety have been addressed through compliance of these conditions. It is unlikely that these improvements would have been achieved to this extent without the conditions being attached to licences and the figure relating to the level of conditions still required is significantly higher than when the scheme started.

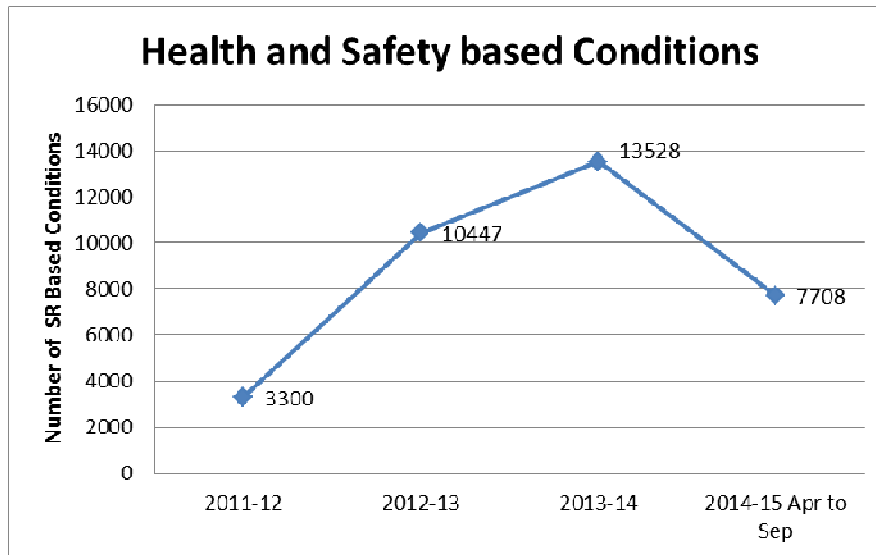
Conditions regarding basic amenities and facilities such as sufficient toilets, kitchen and bathing facilities are a fundamental issue in HMOs because the higher number of people sharing the greater level of amenities required.

**Figure 17 – Amenities and Facilities conditions**

This figure suggests that in the early years of the scheme there were a large number of properties with insufficient facilities and over the period of 3 years this has reduced to a reasonable level.

The health and safety of occupants in HMOs is a major concern that can be addressed through applying licence conditions or assessing the property to determine if there are any hazards presents under the Housing Health and Safety Rating System. Where hazards are present, and considered serious enough, the Council is under a duty to pursue action under HHSRS. This would be done through the service of legal notices and orders.

These conditions therefore relate to cases where the Council considered it was not appropriate to pursue this separate action. It does however have to be borne in mind that these conditions are matters which have a direct impact on the health, safety and welfare of occupiers of HMOs and so will typically relate to factors regarding disrepair and other lower hazard rated issues.

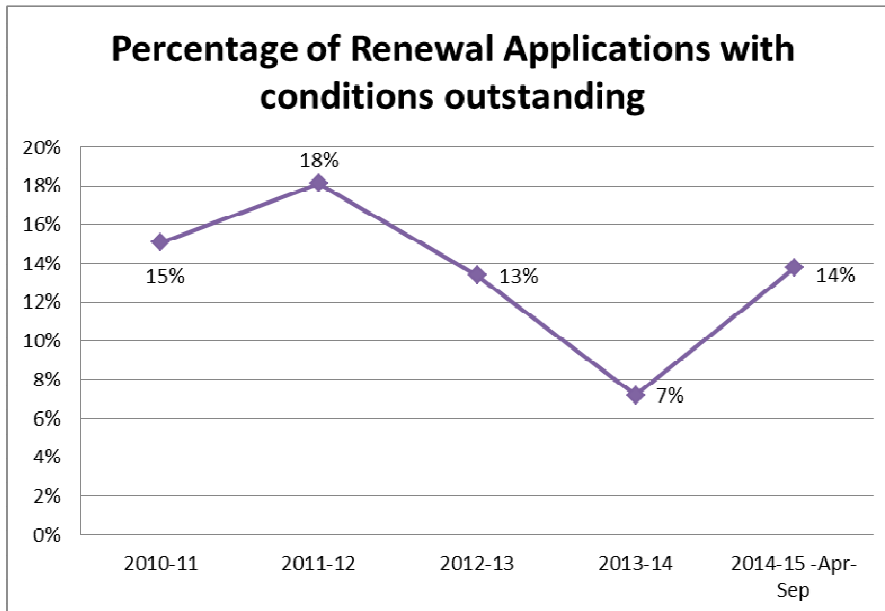
**Figure 18 – Health and Safety conditions**

This figure, relating to health and safety conditions, paints a similar picture to that of all of the other areas, in that there was a peak of conditions of this nature in 2013-14 and a fall, indicating compliance over the past 6 months. The level of conditions relating to health and safety matters is still at a level which raises concern and shows that there is still a concern around compliance in this area.

Not surprisingly across all of the discretionary conditions there was peak in the early years of the scheme. This was probably due to the fact that the scheme was phased over 2 years with phase one commencing 2011 and phase 2 in 2012. It is noticeable that in all cases there is also a gradual decline over the past 6 months where there has been some level of compliance. This is most likely due to the fact that the scheme has now 'bedded in' and those landlords who are proactively trying to manage their properties are taking action to comply.

Further analysis has been carried out to determine the percentage of renewal applications received which have conditions outstanding from when the initial licence was issued. This is presented in Figure 19 below.

Figure 19 – Percentage of Renewal Applications with Conditions Outstanding

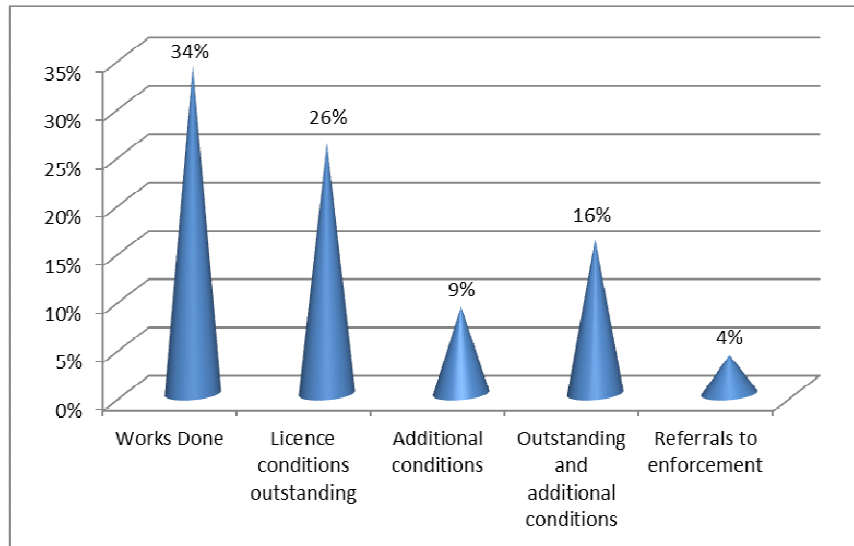


This figure clearly shows that after a slight increase in 2011-12, probably due to the phased approach mentioned above, there has been a gradual decline until 2013-14. Over the past 6 months the number of conditions outstanding has begun to increase indicating that non-compliance may be an issue for licences that have been renewed.

In order to assess this during April 2013 and June 2014 the Council recorded 1,397 renewal visits and recorded various factors relating to compliance/ non-compliance. These ranged from whether works required on the licence had been completed and whether there were any issues regarding the completion or addition of conditions.

The results can be seen below in Figure 20 below.

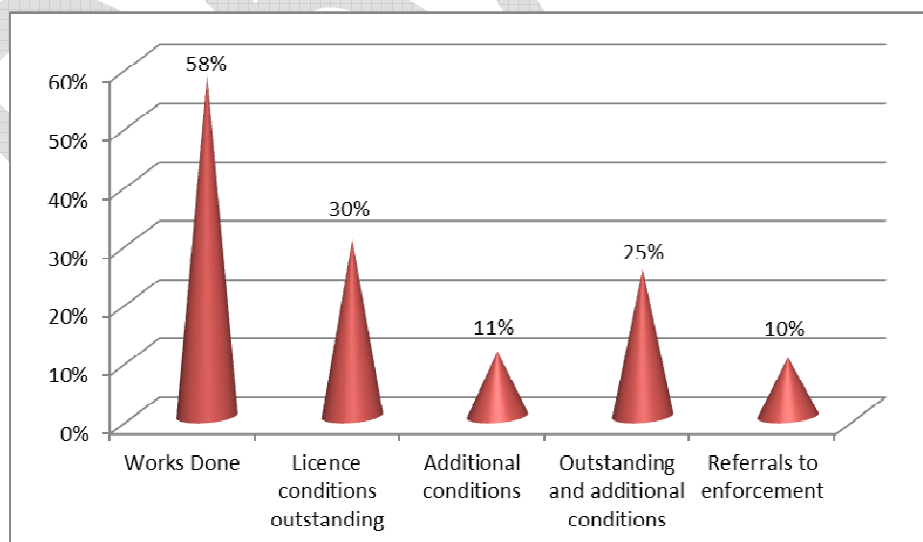
**Figure 20 – Compliance/Non Compliance Rates between April 13 and June 14**



This indicates that in 34% of the HMOs inspected all works to comply with licence conditions had been completed. It does however also show that in 26% of cases there were outstanding licence conditions and in 16% there were outstanding conditions and additional conditions required. This latter figure is indicative of cases where there are ineffective management arrangements in place and is one of the fundamental reasons why the Scheme is required.

A similar exercise was conducted between July 2014 and January 2015 where 946 visits to check compliance were carried out.

**Figure 21 – Compliance/Non Compliance Rates between Jul 14 and Jan 15**

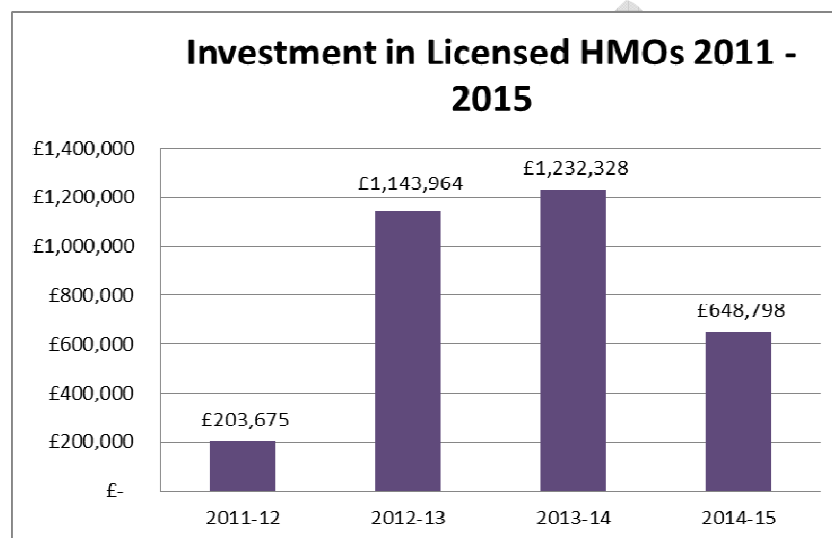


It is apparent that during this period the levels of compliance had increased with 58% of works completed but there was 30% of licence conditions outstanding and a further 25% where conditions were not completed and additional conditions were required.



In order to assess any potential financial investment in the City a cost was attached to the type of work carried out to comply with conditions and an estimate on investment was calculated as a result. Overall it is estimated that since the introduction of licensing there has been approximately £3.2 million invested in HMOs in the City. This equates to £930.00 investment in every single licensed HMO over the past 4 years. The average investment for each year is shown in Figure 22 below.

**Figure 22 - Investment in Licensed HMOs during 2011 - 2015**



A comparison for the financial year 2013/2014 of compliance by food businesses has been made which shows that, out of 1204 food businesses, 83% were broadly compliant with a 4 or 5 'star' rating.

These are recorded on the Councils Food Hygiene Rating Scheme as set out in the table below.

**Table 2 – Compliance/Non Compliance for Food Hygiene Rating**

| Food Hygiene Rating | Descriptor                   | Number of Businesses | Percentage of Total |
|---------------------|------------------------------|----------------------|---------------------|
| 0                   | Urgent Improvement Necessary | 6                    | 0.5                 |
| 1                   | Major Improvement Necessary  | 43                   | 3.6                 |
| 2                   | Improvement Necessary        | 45                   | 3.7                 |
| 3                   | Generally Satisfactory       | 107                  | 8.9                 |
| 4                   | Good                         | 270                  | 22.4                |
| 5                   | Very Good                    | 733                  | 60.9                |
|                     |                              |                      |                     |
|                     | Total                        | 1204                 |                     |

## HMO Fees and Charges

The cost of an HMO licence is different across local authority areas. The government did not set a specific fee or set a limit as to how much each council can charge and it is up to the Council to calculate what it costs to implement HMO licensing. This will include consideration of staff costs, training, inspection and administration and can include publicity.

The Council then sets its licence fees on this basis and if appropriate may decide to subsidise licence fees in some cases. They are not, however allowed to use licensing fees to raise revenue for other projects or areas of work.

The Council introduced the Scheme as a self- financing project and has reviewed the fees and charges structure regularly throughout the life of the scheme.

In 2014-15 it made a significant change to the original structure set out at the beginning of the scheme. The idea behind this was to simplify the approach and move away from differentiating between different sizes of HMO because experience had shown that during the early years of the scheme the time spent administering a licence was no different for a small HMO than it was for a large HMO.

The new structure introduced two initial application fees to reflect the work involved in administering a licence where the owner had openly come forward to licence and where the Council had found the property to be a HMO and had to encourage the submission of a licence application.

A range of renewal fees were also introduced that acknowledged the difference in the time spent by the Council dealing with complete and valid applications that were submitted on time by landlords and those where the Council had to chase payment or documentation.

A higher fee was introduced which included a charge for a re-inspection where the Council did not have confidence in the management of the HMO or where there had been reported concerns about the condition of the HMO.

The Council also introduced a new 2 year licence for landlords and agents who are accredited through Oxford City Councils Landlord Accreditation Scheme (OCLAS) or the National Landlords Association (NLA). This did not include a re-inspection fee because experience had shown that in the majority of cases there was no need to re-inspect and therefore less time was spent administering these applications.

Further changes were introduced that removed charges for Variations and other charges were increased slightly to reflect inflation.

The main reason for adopting these changes was that the Council had to spend a lot more time in dealing with licence applications where the owner had not been forthcoming with their application or had not provided a valid application. As mentioned earlier over 80% of cases required an initial reminder.

Our experience had also been that the size difference of an HMO did not make any difference to the amount of work needed to facilitate and administer a licence.

The aim of this fee structure was also to try and encourage landlords to become better through joining the accreditation schemes and attending training which would enable them to be more competent and capable of managing HMO's appropriately.

The Council also wanted to reward landlords who had already licensed and where there was less work with administering the licence and ensuring compliance.

Where landlords had been prosecuted or reluctant to become accredited we would encourage them to use accredited agents, who have the experience and expertise to improve and manage properties, to manage them on their behalf and therefore take advantage of the 2 year licence.

These changes took effect in April 2014 with the intention of encouraging landlords to either become members OCLAS or the NLA or to use an accredited agent and therefore take advantage of the extended licence renewal which in the long term will help to drive up standards in HMO's in Oxford.

### **Landlord Accreditation**

The Council operates a Landlord Accreditation Scheme (OCLAS) which aims to improve the condition and management of the private rented sector in Oxford.

The scheme comprises an element of self-regulation and accordingly relies on a degree of goodwill and trust on the parts of Landlords, Letting Agents, tenants and the Local Authority.

The scheme applies to the private rented sector only and not to Local Authority owned or Housing Association properties where other Service Level Agreements apply.

Under the Scheme it is a requirement that:

- (a) the Landlord or Letting Agent is a 'Fit and Proper' person
- (b) the physical condition of all the properties they own or manage meet minimum legal standards
- (c) that management practices are fair and reasonable and meet the management code of practice requirements
- (d) community relations are maintained, including waste management at the property
- (e) the Council's Cleaner, Greener agenda is complied with e.g. waste management at the property

Compliance with the scheme will ensure that:

- Landlords, Letting Agents, tenants and local residents enjoy the benefits of good property conditions, competent management standards and considerate neighbourly behaviour;
- Misunderstandings and disputes are reduced;
- The Council's Cleaner, Greener agenda will be actively promoted;
- Where problems do occur they are promptly resolved.
- Landlords and Agents of privately rented accommodation must ensure they manage their properties in a business-like manner and have knowledge of the requirements of private renting and the primary legislation under the Housing Act 2004.

The Council has put together a training course involving workshops delivering a comprehensive understanding of the legislation and technical aspects of managing a property, including in particular;

- Management Regulations - An overview of the requirements of landlord's statutory requirements under the Management of Houses in Multiple Occupation (England) Regulations 2006.
- The Housing Health & Safety Rating System, (HHSRS) - An introduction and overview of the HHSRS and the 29 associated hazards; emphasis will be placed on the more often encountered deficiencies. Understanding the concept of Categories and how to mitigate Category 1 hazards in accordance with the requirements of the HHSRS Operating Guidance.
- HMO Licensing - The requirements of the HMO licensing scheme, applications, documentation etc.
- Tenancy Relations - An introduction to the legal requirements of assured short hold tenancy agreements and the requirements for possession etc.

Accredited Landlords and Agents are required to attend the one day training course within three to six months of becoming accredited.

As previously mentioned accredited landlords and agents can take advantage of extended licences and lower fees because the Council acknowledges that they are more effective at managing their properties and meeting the requirements of licensing with minimal intervention from the Council.

94 Landlords and Agents have taken up accreditation, the most being during 2013/14 when the Council introduced the 'new' two year licence for accredited landlords.

Accreditation provides an opportunity for landlords to understand their legal responsibilities and provides them with practical advice on how to become better at managing and maintaining properties in the PRS under their control without the need for the Council's to intervene.

Despite the scheme the Council operates being free to join, membership is still relatively low in comparison to the total number of agents and landlords who operate in the City. This clearly shows that even with the introduction of financial incentives accreditation cannot be relied upon solely to meet the objectives of driving up standards in the PRS and HMO sector.

## Enforcement in HMOs

The Council has always taken a proactive approach in dealing with concerns about HMOs. In the years prior to the introduction of licensing it used existing powers to their full extent and took more prosecutions against landlords under the Housing Act 2004 than any other Council in England and Wales. Only a handful of major cities such as Liverpool and Manchester have issued more legal notices to deal with HMOs.

This approach, however, only scratched the surface of the problems associated with a growing HMO sector in Oxford and licensing provided the Council with enhanced powers to deal with HMOs in a more proactive and focussed way.

It enabled the Council to conduct reactive and proactive visits to address concerns about HMOs. This has resulted in over 19,000 visits being carried out to HMOs.

Over 80,000 conditions have been added to licences requiring the licence holder to carry out works to bring properties up to the appropriate standard and to manage them effectively. This provided a level playing field for all landlords and licence holders making them more accountable for the management and improvement of HMOs.

Where non-compliance is found the Council has a mechanism to resolve these issues either through legal action which may result in the licence holder losing their licence and their ability to run HMOs or through further licensing controls. The Council has only had to take formal action in a handful of cases for non-compliance because it has found the possibility of losing a licence is of great concern to most landlords and they will take steps to remedy the problems referred to them without the need for legal intervention.

The Council is also able to focus its resources on tracking down those landlords who are operating unlicensed or ineffectively managed properties. This has resulted in 100's of investigations being carried out on HMOs.

These landlords are encouraged to find an agent or another suitable person to be the licence holder and cooperate with them to improve the property and its management. The fees and charges structure has been developed to encourage landlords to become accredited and take advantage of fee incentives.

If a landlord fails to heed warnings about problems then the Council has applied enforcement and prosecuted where the problem is serious enough and it would be in the public interest to take such action. This has resulted in 38 successful prosecutions and 26 cautions being issued.

Following a successful prosecution or acceptance of a formal caution, the landlord is no longer considered to be a "fit and proper person". Their licence is revoked and unless they pay another application fee for a suitable person to take over the licence the council issues an interim management order and takes over control of the property. This approach has been adopted on 5 occasions.

Around 25% of landlords in Oxford are from ethnic backgrounds and as a consequence a large percentage of legal cases that the Council has pursued involve these groups, around 60%. A lot of work conducted by the enforcement team has therefore involved working closely with these groups, such as Oxford Community Forum to develop a close working relationship and improve communication between landlords and the Council.

During 2013/14 a survey of 100 tenants occupying HMOs was carried out by the HMO Enforcement Team to measure the potential impact licensing had on them as people living in this type of accommodation.

A number of HMOs that had been licensed during the year were randomly selected and a series of questions were put to each of the households on a face to face basis during a 'door knocking' exercise. The questions were as follows:

1. Have you had any problems with your landlord since the Council introduced HMO Licensing?
2. Have you noticed any improvements to your home since the landlord applied for licensing?
3. Are you in favour of the Council's licensing scheme for HMO's?

The responses received are provided below.

**Figure 23 – Tenants Views - Any problems with Landlord since HMO Licensing?**

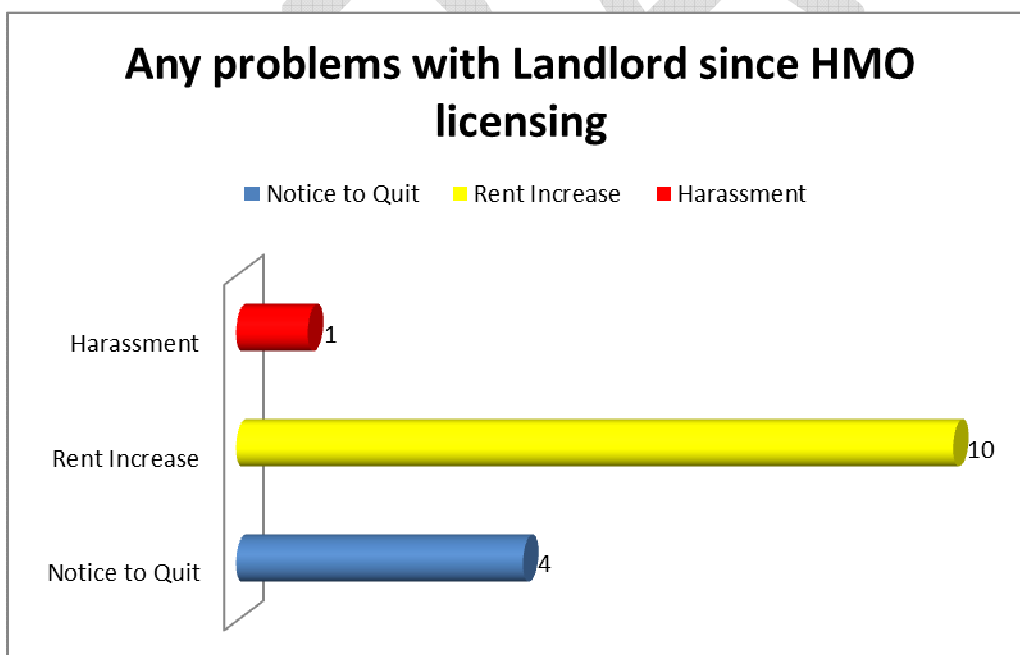




Figure 24 – Tenants Views - Noticed any improvements?

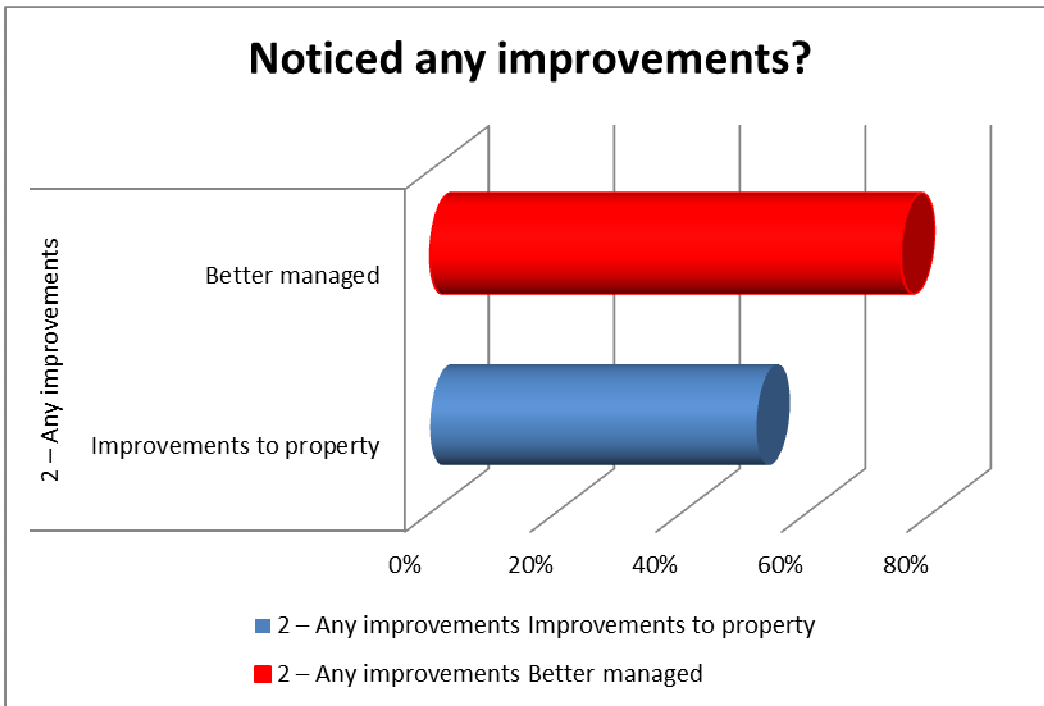
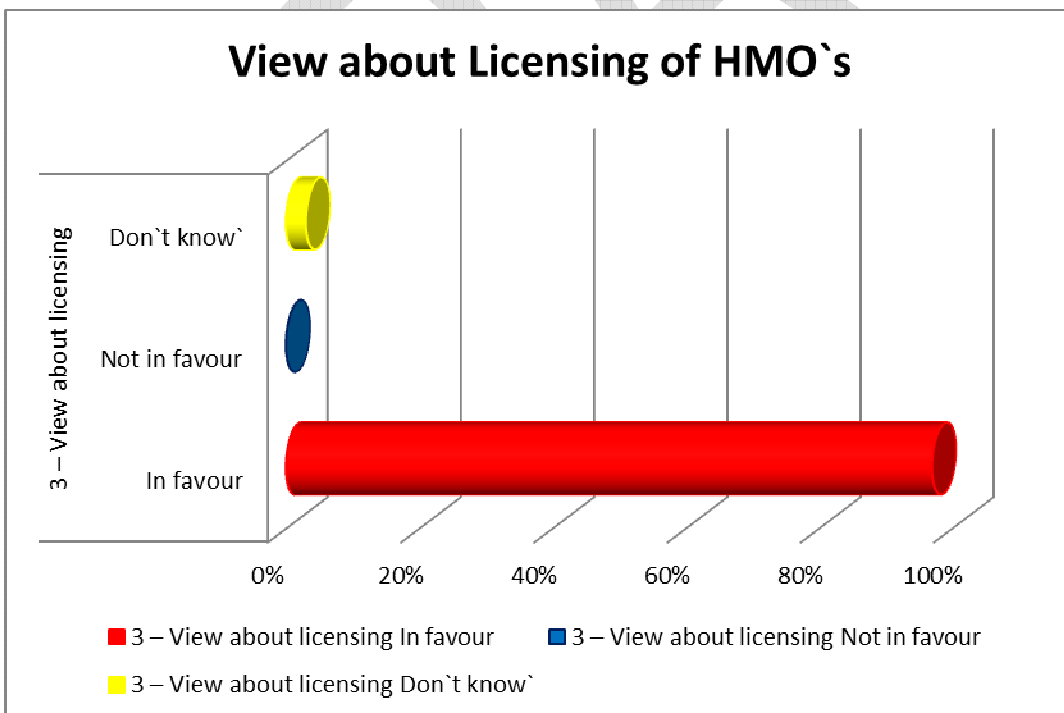
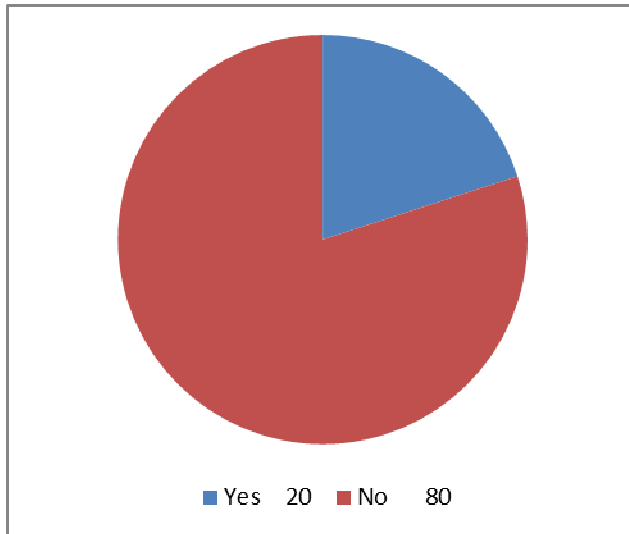


Figure 25 – Tenants Views about HMO Licensing?

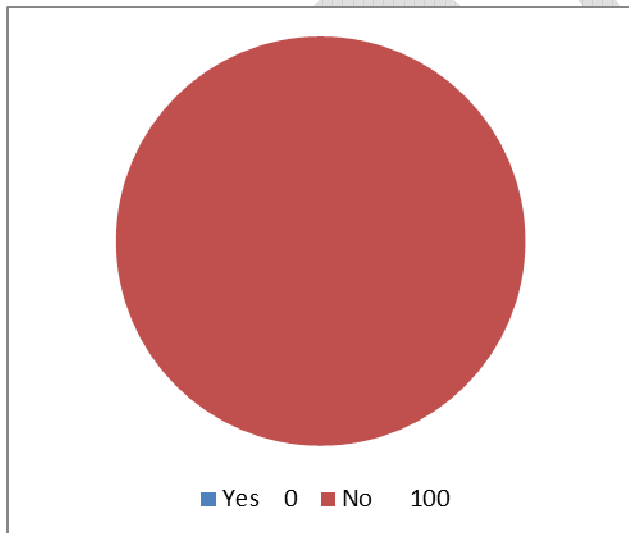


A similar exercise was conducted during 2014/15 which focussed on the issue of potential retaliatory evictions in family homes, licensed and unlicensed HMOs. The first element of this study was to determine the percentage of tenants that were or had been afraid to report problems to their landlord due to retaliatory eviction. The results of this part can be found below.

**Figure 26 – Fear of Retaliatory Eviction in Family homes and unlicensed HMOs**

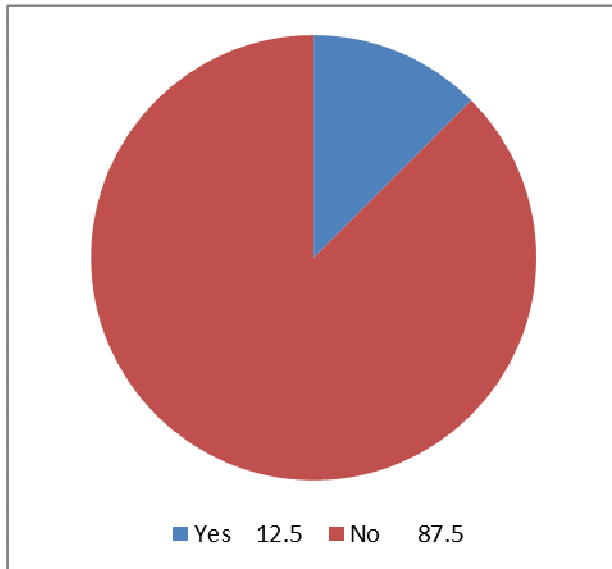


**Figure 27 – Fear of Retaliatory Eviction in Licensed HMOs**

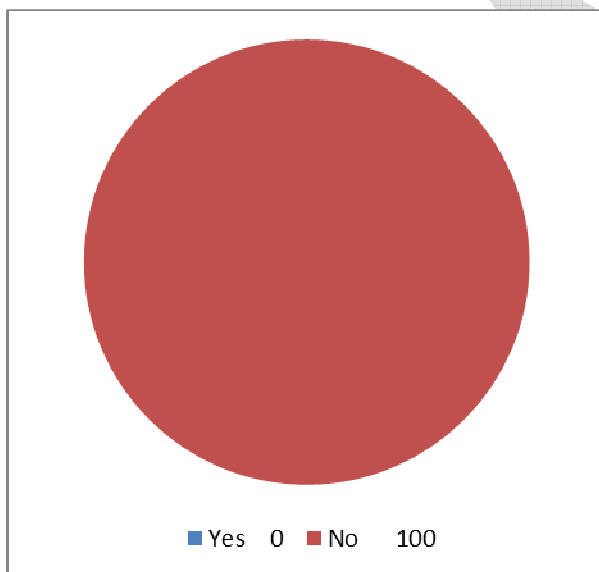


The next stage was to determine the percentage of tenants that had directly experienced retaliatory eviction. The results of this part can be seen below.

**Figure 28 – Experienced Retaliatory Eviction in Family homes and unlicensed HMOs**



**Figure 29 – Experienced Retaliatory Eviction in Licensed HMOs**



In general terms this survey found the highest level of retaliatory evictions was in the family home and unlicensed HMO sectors. This demonstrates the high level of need to focus on unlicensed HMOs and also that the HMO licensing scheme is helping to raise management but more needs to be done to control poor practices in the sector.

## The Way Forward....

The Additional Licensing scheme in the City was phased over two years for a period of 5 years. This creates a situation where Phase 1 and Phase 2 will expire on different dates (Phase 1 on the 24<sup>th</sup> January 2016 and Phase 2 on the 31<sup>st</sup> January 2017).

Under section 60(2) of the Act the expiry time must be no later than five years after the date on which the designation comes into force.

Under s.60 (3) of the Housing Act 2004 *'a local housing authority must from time to time review the operation of any designation made by them'*

In order for the Council to 'renew' the scheme it must proceed through the statutory process as laid out in Section 56 and 57 and the guidance issued under the Housing Act 2004: Licensing of Houses in Multiple Occupation and Selective Licensing of Other Residential Accommodation (England) General Approval 2010.

Section 56 of the Act places requirements upon the Local Housing Authority when considering a designation for additional licensing of HMOs, in that the Council must:

- Consider that a significant proportion of the HMOs of that description in the area are being managed sufficiently ineffectively as to give rise, or likely to give rise, to one or more particular problems either for those occupying the HMOs or for members of the public; and
- Take reasonable steps to consult with persons who are likely to be affected and consider any representations made in accordance with the consultation and not withdrawn; and
- Have regard to any information regarding the extent to which any codes of practice approved under section 233 have been complied with by persons managing HMOs in the area (these codes relate to University managed accommodation).

Section 57 provides further considerations for the Local Authority in that they should ensure that:

- Exercising the designation is consistent with the authority's overall housing strategy; and
- Seek to adopt a coordinated approach in connection with dealing with homelessness, empty properties and anti-social behavior affecting the private rented sector as regards combining licensing with other action taken by them or others; and
- Consider whether there are any other courses of action available to them (of whatever nature) that might provide an effective method of dealing with the problem or problems in question; and
- That making the designation will significantly assist them to deal with the problem or problems (whether or not they take any other course of action as well).

The DCLG General Approval provides the condition that any consultation period for the proposed designation should not be less than 10 weeks.

In February 2010 the DCLG produced general guidance around the approval steps for additional and selective licensing designations in England.

This document provides examples of properties being managed “*sufficiently ineffectively*” including:

- Those whose external condition and curtilage (including yards and gardens) adversely impact upon the general character and amenity of the area in which they are located;
- Those whose internal condition, such as poor amenities, overcrowding etc. adversely impact upon the health, safety and welfare of the occupiers and the landlords of these properties are failing to take appropriate steps to address the issues;
- Those where there is a significant and persistent problem of anti-social behavior affecting other residents and/or the local community and the landlords of the HMOs are not taking reasonable and lawful steps to eliminate or reduce the problems; and
- Those where the lack of management or poor management skills or practices are otherwise adversely impacting upon the welfare, health and safety of residents and/or impacting upon the wider community.

### **Option Appraisal**

The option appraisal process carried out for the review of the Scheme followed a series of logical steps, which when taken together, provided a thorough and systematic appraisal method to allow effective comparison of alternative options.

Although this process appears as a sequence of small steps following a linear pattern, in practice it is best viewed as a series of small cycles. The main steps followed are summarised below: -

Decide on the aim of the Scheme, i.e. the desired outcome and the objectives necessary to achieve this;

- Data gathering and analysis of findings;
- Generate a range of basic options;
- Appraise the options against criteria;
- Select a preferred option and carry out statutory consultation about the selected option.

The Option Appraisal process was managed by an internal Steering Group comprising senior staff from across the Council.

## **Deciding the aim of the Scheme**

The overall purpose of the licensing scheme is to: *'alleviate the housing situation by setting and maintaining minimum standards across the city in the most vulnerable sector of Oxfords private rental market'*.

This is also major contributing factor to the Councils Corporate priority of Meeting Housing Need by the number of HMO Licence inspections carried out and by improving conditions in the Private Rented Sector.

The main aim for the review and future of the Scheme was therefore set around the purpose of the scheme and the Councils corporate priority of Meeting Housing Need. It was acknowledged by the officer steering group that the fundamental approach must also enshrine the need to improve conditions and management of HMOs whilst maintaining minimum standards.

## **Objectives**

Objectives that would have to be realised to achieve this aim were therefore defined and included the need to:

- Maintain minimum standards of HMOs in the City;
- Raise the standard of HMOs in the City
- Improve management of HMOs in the City;
- Reduce the impact HMOs have on the surrounding area;
- Contribute to the creation of a viable and sustainable housing market;
- Promote long term confidence in the City;
- Support the existing community, in particular young and low income households; and
- Promote an improvement of conditions in the Private Rented Sector in the City.

## **Option Generation**

Following a detailed assessment of the data, which is provided earlier in this review report, the next stage was to consider the generation of options which would seek to meet the stated aims and objectives and would deliver positive and lasting change.

The Officer steering group developed and confirmed a range of options that could be applied to the City, each of them involving different levels of intervention and accordingly producing a different range of outcomes. These options ranged across the spectrum from statutory action only



to complete renewal of the Scheme. The Officer steering group recognised that to be effective the review should consider all possible options.

The following options were considered:

**Option 1 – Statutory Action Only.** This is essentially the ‘base line’ position against which other options can be measured. It assumes that HMOs across the City will receive only minimum attention other than the action the Council is required by law to take to deal with poor conditions. i.e. mandatory licensing etc.. Action would be by way of legal notices and orders. It is also based on the current poor take up found with accreditation and the lack of compliance with standards even where conditioned by the licence process. At some stage prosecutions would also have to take place. It is likely that this would do little to address environmental and management issues and this would most likely lead to a continuing spiral of decline with a growing need for intervention in future years. The aim and stated objectives would not be achieved.

**Option 2 – Renewal of the Scheme in certain areas of the City.** This option assumes that the existing scheme is ‘renewed’ as necessary but only in certain areas of the City. The process of determination of these areas would be required but in essence this would create a situation where not all HMOs across the City are regulated consistently. In some parts of the City there are less HMOs but non compliance is found in all areas. Intervention to deal with these excluded areas would therefore be reduced if they were excluded from the Scheme and this could result in an increase of HMOs in the excluded parts of the City and therefore less power available to the Council to deal with concerns and issues. This approach does not address the need for a comprehensive scheme and as an option it does little to meet the wider aspirations of the residents of the area or the aims and objectives of the scheme.

**Option 3 – Renewal of the Scheme in its entirety.** This option assumes that the existing scheme will be ‘renewed’ in its entirety. The underlying basis of the option is that the Council will actively promote the Additional Licensing scheme and continue to implement the scheme under current conditions. Further reviews of the fees and charges structure would take place and options for extended licence periods would also be considered. i.e. 5 year licences for ‘gold’ standard landlords. This option would provide a level playing field for all HMOs and would ensure that the aims and objectives of the Scheme were met.

### **Option Appraisal**

A series of decision rules, against which each of the options were to be appraised, were also set. Typically the final preferred option for the future of the Scheme must:

- Be technically feasible
- Be in accordance with relevant statutory powers
- Contribute toward strategic objectives
- Be appropriate to the needs of the community
- Be financially deliverable

Each of these options were assessed against the decision rules and the objectives set (based on scoring on un-weighted and weighted criteria).

It is important that assessments are made of the options for the contribution they make in meeting the objectives for the Scheme and addressing the decision rules set. The decision rules included a financial element but it is vital that any decisions affecting the area are not based on cost alone. The final option would then be open to statutory consultation.

Officers agreed the decision rules, assessments and scoring criteria. The Steering Group set out the weightings and carried out the assessments against the criteria. The results of each assessment can be found below.

**Table 3 - Assessment of Options Against Decision Rules**

| Decision Rule                          |   | Options  |           |           |
|--|---|----------|-----------|-----------|
|  |   | 1        | 2         | 3         |
| 1                                      | Be technically feasible                         | 3        | 3         | 3         |
| 2                                      | Be in accordance with relevant statutory powers | 3        | 3         | 3         |
| 3                                      | Contribute towards the strategic objectives     | 0        | 1         | 3         |
| 4                                      | Be appropriate to the needs of the community    | 1        | 2         | 2         |
| 5                                      | Financially deliverable                         | 1        | 3         | 3         |
| <b>Best fit against decision rules</b> |   | <b>8</b> | <b>12</b> | <b>14</b> |

| Scoring (How option conforms to the decision rules) |
|---|
| 0 = Breaks Rule                                     |
| 1 = Meets rule in some respects                     |
| 2 = Meets rule in most respects                     |
| 3 = Meets rule in all respects                      |

The results of the decision rule assessment show that Option 2 and 3 are more favourable than Option 1. Option 1 is technically feasible and could be implemented in accordance with the relevant statutory powers but it does very little to contribute toward any of the other decision rules and would make very little contribution to the aims and objectives of the Scheme.

Option 2 scored slightly lower than Option 3 (12 compared to 14) because it was felt by the steering group that by licensing certain parts of the City the non-licensed parts would suffer with an increase in HMOs and this would impact of those neighbourhoods a lot more than if the whole area was subject to licensing. The Council would also have very limited powers to deal with any

issues in HMOs which were outside of the licensing scheme and so this would impact on the local community and would do very little to create a sustainable and viable housing market.

Option 3 meets all of the rules in all respects with the exception of 'appropriate to the needs of the community'. This rule scored slightly lower because it was felt by the steering group that a number of landlords who were part of the community may not agree that a scheme of licensing was appropriate to their needs.

Overall Option 3 (*Renew the Scheme in its entirety*) scores higher than any other option and meets all the rules in most respects and is the preferred course of action for the future of the Scheme.

An assessment against the Objectives set for the review of the Scheme was carried out to determine which option made the most contribution toward the objectives. The results of this can be seen in the table below.

**Table 4 - Assessment Against Objectives (Unweighted)**

| No.           | Objective Criteria  | 1         | 2         | 3         |
|---------------|---|-----------|-----------|-----------|
| 1             | Maintain minimum standards in HMOs in the City                              | 4         | 4         | 4         |
| 2             | Raise the standard of HMOs in the City                                      | 2         | 3         | 5         |
| 3             | Improve management of HMOs in the City                                      | 1         | 3         | 4         |
| 4             | Reduce the impact HMOs have on the surrounding area                         | 1         | 2         | 5         |
| 5             | Contribute to the creation of a viable and sustainable housing market       | 0         | 3         | 4         |
| 6             | Promote long term confidence in the City                                    | 0         | 3         | 4         |
| 7             | Support existing communities, in particular young and low income households | 1         | 4         | 4         |
| 8             | Promote an improvement of conditions in the PRS in the City                 | 2         | 3         | 4         |
| <b>Totals</b> |   | <b>11</b> | <b>25</b> | <b>34</b> |

The scores were recorded according to the following criteria:

| <b>Scoring (Contribution objective makes in meeting the vision)</b> |
|---|
| 0 = no contribution   |
| 1 = very little contribution  |
| 2 = limited contribution  |
| 3 = reasonable contribution   |

|                                   |
|-----------------------------------|
| 4 = significant contribution      |
| 5 = very significant contribution |

The un-weighted assessment shows that Option 1 would have little or no effect in meeting the objectives of the scheme. Options 2 and 3 make more significant impact and would be the preferable over Option 1.

Option 2 scores significantly well against a number of the objectives but because of the piecemeal approach it promotes and the inability for the Council to deal with HMOs outside of the areas of the City that would be subject to licensing overall it scores less than Option 3. Option 3 is considered to be the better option for dealing with the whole range of objectives because it means that the Council is able to have a widespread and consistent impact in all areas across the whole range of objectives.

In order to test these options further a weighted assessment using the weighting factors agreed by Officers was carried out. The weighting was selected to reflect the contribution each of the objectives makes to the overall aim of the Scheme. This provides a balanced assessment of all elements of the option appraisal. The results of this weighted assessment are shown in the table below.

The weighting was chosen to reflect the contribution each of the objectives makes to the aim of the Scheme, which is to *'alleviate the housing situation by setting and maintaining minimum standards across the city in the most vulnerable sector of Oxford's private rental market'* using the following criteria:

|  |
|--|
| <b>Weighting</b>                             |
| 1 = Meets aim to some degree                 |
| 2 = Meets aim to a large degree              |
| 3 = Meets aim to a greater degree or in full |

**Table 5 - Assessment Against Objectives (Weighted)**

| No | Objective Criteria  | Weighting Factor | 1         | 2         | 3         |
|----|---|------------------|-----------|-----------|-----------|
|    |   |                  |           |           |           |
| 1  | Maintain minimum standards in all HMOs                                      | 3                | 12        | 12        | 12        |
| 2  | Achieve an improvement in conditions in all HMOs                            | 2                | 4         | 6         | 10        |
| 3  | Improve management of all HMOs  | 3                | 3         | 9         | 12        |
| 4  | Reduce the impact HMOs have on the surrounding area                         | 2                | 2         | 4         | 10        |
| 5  | Contribute to the creation of a viable and sustainable housing market       | 2                | 0         | 6         | 8         |
| 6  | Promote long term confidence in the area                                    | 1                | 0         | 3         | 4         |
| 7  | Support existing communities, in particular young and low income households | 3                | 3         | 12        | 12        |
| 8  | Promote an improvement of conditions in the PRS                             | 1                | 2         | 3         | 4         |
|    | Totals  |                  | <b>26</b> | <b>55</b> | <b>72</b> |

The results of the weighted assessment support the findings of the decision rule assessment and the un-weighted objective assessment which is that Option 3 is the preferred course of action and will provide the 'best fit' for achieving the aim and objectives of the Scheme.

The local authority Officers agreed the decision rules, assessments and scoring criteria. The Steering Group set out the weightings and carried out the assessments against the criteria. Each option was assessed on an individual basis. The assessment summaries are set out below.

**Table 6 - Summary of Option Appraisal Assessments**

| Assessment Method |                                     | Option 1        |       | Option 2        |       | Option 3        |       |
|-------------------|-------------------------------------|-----------------|-------|-----------------|-------|-----------------|-------|
|                   |                                     | Rank            | Score | Rank            | Score | Rank            | Score |
| 1                 | Decision Rule Assessment            | 3 <sup>rd</sup> | 8     | 2 <sup>nd</sup> | 12    | 1 <sup>st</sup> | 14    |
| 2                 | Objectives Assessment (un-weighted) | 3 <sup>rd</sup> | 11    | 2 <sup>nd</sup> | 25    | 1 <sup>st</sup> | 34    |

|   |                                  |                 |    |                 |    |                 |    |
|---|----------------------------------|-----------------|----|-----------------|----|-----------------|----|
| 3 | Objectives Assessment (weighted) | 3 <sup>rd</sup> | 26 | 2 <sup>nd</sup> | 55 | 1 <sup>st</sup> | 72 |
|---|----------------------------------|-----------------|----|-----------------|----|-----------------|----|

The table demonstrates that the most effective option is Option 3, and the least effective is option 1. The advantage of option 3 over option 2 increases significantly when considering the aims and objectives together.

On balance it is considered that **Option 3 better demonstrates that it meets the range of appraisal criteria and should be adopted within the preferred strategy.** It ranks 1<sup>st</sup> in all of the assessments and will best meet the aim and objectives for HMOs in the City.

### Implementation

The next stages for implementing the proposal of Option 3 must follow the legal process set out in the Housing Act 2004 and be in accordance with guidance produced by Government. The Council also has internal procedures that must be adhered to ensure that the implementation of Option 3 is fully considered.

The Council will therefore be providing a summary of this report to the City Executive Board in June 2015 setting out the key findings and recommendations for the renewal of the scheme.

The recommendations will include a proposal to commence a new designation on the 25<sup>th</sup> January 2016 for Phase 1 HMOs for a period of 5 years and include a provision for Phase 2 of the original scheme to commence on the 1<sup>st</sup> February 2017 with an expiry date of the 25<sup>th</sup> January 2021 i.e. for 4 years. This would align the two phases of the scheme and reduce the financial burden associated with having to revoke Phase 2 of the scheme and having to re-advertise the new designation for the whole scheme.

If approved the Council will proceed with the statutory consultation for a new designation for a period of 10 weeks and submit a future report to City Executive Board setting out the results of the consultation and the structure of the new designation.

## **Testimonials**

### **Local Letting Agent, Manager -**

*I am delighted to write informing you of how the introduction of Licensing and Accreditation have improved the private rental sector quality of shared houses.*

*I am still concerned that licensing does not apply to ALL rented properties in UK, and as Oxford has been a bold leader on the HMO front, I urge them to consider expanding the Scheme to all rented property in the private sector.*

*Before the introduction of Licensing we at Premier were regularly turning down dreadful properties we were offered by “rogue” landlords, now this is a fairly rare occurrence. With the huge number of HMOs in the City it has been an uphill task and the Council have largely succeeded – though of course there are still glitches in the system and sometimes not enough consistency in the inspections carried out by the councils’ officers – however we try to work with the officers on this and once they realise our commitment to high standards they are generally acceptable to our suggestions. This is extremely important as the only way to encourage ALL landlords to participate and not try to operate illegally is indeed to have co-operation and non-threatening attitudes.*

*Overall the Licensing has improved the standards of HMO’s making them safer and even though rents continue to rise most landlords now realise the importance of investing their profits in maintaining and raising standards. Of course there are still those who don’t understand that! However, with us and the Council working together we do manage to convince most of them!*

### **Oxford Resident and Landlord -**

*“As both resident and new landlord in Oxford I value the HMO licensing scheme's support for responsible landlords and its calling to task of irresponsible landlords. Properly executed, HMO licensing ensures better neighbourhoods for all as well as reassurance on safety and housing conditions for HMO tenants. My licence application a few months ago was handled promptly, efficiently and fairly.”*



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