

Selective Licensing Scheme 2022: Year 1 Progress report

Purpose: To update on the implementation of the Selective Licensing Scheme 2022

The Selective Licensing scheme started on 01 September 2022. Before the scheme started, in Autumn 2020, the Council conducted a statutory consultation exercise. In March 2021, the Council approved 2 designations. Together, these designations cover the whole city area. The Department for Levelling Up, Housing and Communities (DLUHC) confirmed the designations in April 2022. The scheme must be operative from 1st September 2022 to 31st August 2027.

DLUHC requested the Council submit regular progress reports. Consultation feedback highlighted the need to report throughout the scheme on progress.

The Council when developing the scheme, estimated that 12,000 properties will need a licence, with 7,200 of the applications to be made in year 1. The Council predicted it would take 12 months from date of application to issue a licence. After issuing the licence, property inspections take place. A risk rating system is in place to identify those likely to be in the worst condition. The Council expect to inspect 60% of licensed properties during the lifetime of the scheme.

Progress summary

- The number of applications received exceeded predictions. In year 1, we received 10,896 applications. When including 159 block licences, the applications covered over 12,300 properties.
- To incentivise landlords, a discount was offered to applications made by 30 November 2022. To help agents, we offered to extend this period to 31 January 2023. These are known as “early bird” applications. We received 9,057 applications in this period. 39% of applicants received an early bird discount and 47% of the 9057 applications came from accredited landlords and managing agents;
 - Of those who submitted applications by 30 November 2022, 81% had received a draft licence and 63% a final licence.
 - Of those in the phasing agreement who submitted applications by 30 November 2022, 69% had received a draft licence and 36% a final licence
- The Council issued 2,138 final licences in year 1;
- Work on finding unlicensed properties began in March 2023. We have investigated 83 cases, with 49 applications made and 16 exempt. The remaining cases are still under investigation.
- In year 1, inspection work has only been undertaken through reactive service complaint work. 61 properties in the scheme were inspected. Of these, 36 (59%) were found to have serious (Category One) hazards.

Challenges & lessons learned

- Significant challenges have been:
 - Recruitment and retention of applications officers. The Council expects excellent customer service and high quality. In line with entry level positions, there has been a regular turnover of officers;
 - The application system works on credit card payments. Large managing agents requested BACS payments. Reconciliation of payments was not in the procured system. The extra work has delayed application processing.
 - Due to the quick implementation, there was minimal time for testing the procured system. This proved difficult at times. We have made efficiency improvements throughout the year.
- Lessons learned are:
 - As the applications system was more resource-intensive than planned, the number of processing officers was decreased from originally planned to enable more focus on training existing officers.
 - Allowing BACS payment for large managing agents created extra work to process each application, which had not been included in the original projections of processing time or application fees. Especially as sending transfers manually leaves room for human error, this greatly slowed down processing. A more streamlined process was developed which partially automated the process, enabling an improvement in the processing time.
 - Procedures are regularly reviewed to look for ways to reduce processing times through automation wherever possible. This is on-going work and has been carried out alongside the implementation of the application system. Utilising the experience of our officers to provide more insight into areas that the system can be improved has proved a successful strategy and allowed exploration into ways that any changes could be delivered. The Team embraced new technology available to the Council using cloud-based storage solutions for processing guides to ensure officers always have access to the current procedures.

Future work

Year 2 will focus on:

- Issuing the remaining Year 1 licences. We estimate it will take to 01 April 2024 to issue the remaining applications in the early bird scheme and to 01 October 2024 to issue the remaining phasing agreement applications.
- Implementing large-scale inspection programme
- Investigation of unlicensed properties
- Developing guidance for landlords on property standards.

Background

Property licensing schemes are a major contributing factor to the Councils aim to "Deliver more affordable housing." They improve conditions in the private rented sector in the city. The purpose of the licensing scheme is to address poor conditions and reduce the number of privately rented homes containing serious hazards.

The Council has operated HMO licensing since 2006. This was when mandatory (national) licensing requirements started. From 2011, HMO licensing has operated on a citywide basis

covering all HMOs. With the introduction of selective licensing any privately rented property within the city unless statutorily exempt will need a property licence to operate.

Privately Rented Homes

The private rented sector in Oxford is one of the largest in England. An independent review took place in 2020, before Selective Licensing began. It estimated that 49.3% of the city's housing stock was privately rented, or 30,508 properties. The 2021 census figures predict that 32.2% (17,762) of households lived in the private rented sector. The difference between the figures is because the census figures are based on the number of households living in the private rented sector. In contrast, the Council's independent review counted the number of privately rented properties. It is clear from both datasets that the private rented sector in the city is above the national average of 19%.

The private rented sector is a valued part of the city's housing market and local economy. It provides homes across the whole city. The sector has grown over the last 20 years. There is intense competition for affordable accommodation in the city due to the lack of affordable rents. One consequence is that some landlords have exploited tenants by letting out property in a poor condition. The property is often unsafe, and in some cases dangerous. A review of housing conditions in the private rented sector found that 6242 (20.5%) of dwellings in the sector were predicted to have at least one category 1 hazard. This is compared to the national average of 12% and almost double the regional average of 10.3%.

Licensing of Privately rented homes

The Selective Licensing scheme aims to improve poor conditions within privately rented homes. The Council will inspect properties with a high likelihood of hazards. This is due to complaint history, property type, and lack of information or incorrect documentation in applications. This will ensure that non-HMO properties are inspected on a proactive basis rather than waiting for an occupier to complain. Upon inspection, we will assess the property for hazards in all cases. Every assessment will always include Damp & Mould, Excess Cold, and Fire. The Council's independent review identified these as the three most common hazards found in privately rented homes.

The council also investigates suspected unlicensed properties. Feedback from the 2020 consultation was that for the first year of the scheme we should inform landlords of the need to licence before taking enforcement action. In future years, a more robust approach will be taken. This could result in the landlord receiving a financial penalty.

Processing Licence Applications

In April 2022, DLHUC notified the Council of their approval of the scheme. The Council had a brief period to introduce an applications system. The Council also needed to ensure appropriate resources were available. This was to manage the receipt of licence applications. The Council introduced a new online application system. The online system went live on the scheme start date of 01 September 2022. Landlords and agents were not able to apply in advance. This meant the Council immediately had a backlog of applications.

As with all new schemes, the council and applicants have had to adapt to this new way of working.

The Council provided a demonstration of the new system to landlords. Agents were able to use the test system before the start of the scheme to make “dummy” applications. The Council produced a video and extensive guide to assist applicants. Officers have also worked to ensure that guidance on our website is up to date with all application requirements and frequently asked questions.

The new system has proved to be more resource intensive than planned. Due to this, processing has been reduced at times. This is also due to the system not being fully automated and the amount of training required for applications officers.

In year 1 of the scheme, the Council had received 10,896 applications and issued 2,138 licences.

Licence conditions

Each property licence contains 23 conditions, including matters as gas safety, electrical safety, furniture safety, providing and maintaining smoke alarms and supplying occupants with written terms of occupancy. Unlike HMO licences, conditions applied to selective licences are limited by a Court of Appeal ruling. The ruling is in *Brown v Hyndburn Borough Council*. The Court of Appeal ruled that "management" related to operational matters. It did not include improving or upgrading houses. It also did not include installing new facilities and equipment. Improvements or requirements for new facilities will be dealt with under Part 1 of the Housing Act 2004.

Before a licence is issued, applicants can make representations to the council about the proposed conditions. In year 1, 249 landlords and agents made representations. This equates to 8% of draft licences issued. The data indicates that the vast majority of landlords are satisfied with the proposed conditions. Most representations received have been regarding permitted numbers. When reviewing representations either the applicant made an error on their application, or the room size is within a permitted tolerance range.

Types of licence

The scheme included discounted licence fees for applications received before the end of November 2022. This was to incentivise property owners and managers to apply. Larger managing agents had until the end of January 2023 to submit applications; these are known as "early bird" discounts. An accredited licence holder or managing agent with full management control was able to gain a further discount. The Council also offered a “block licence” in the first year of the scheme. Flats in a block, with the same freeholder and manager, could apply for one licence for the whole block rather than individual licences.

In the early bird period, 9,057 applications were received. As the discount is applied to stage 2 payments, the breakdown of the types of licences issued is on-going as the backlog is worked through. Currently 39% of the applications received the early bird discount. An additional 47% (to date) of applications received during the early bird period received an accreditation discount.

Enforcement of the Licensing Scheme

In year 1 of the scheme, enforcement work has continued to be mostly reactive. It follows service requests about privately rented homes. In year 2 a program of inspections will start. Over the scheme, the aim is to inspect 60% of the licenced properties.

The inspection programme will be risk rated. This assessment is part of the licence application processing. It is based on the compliance history of the landlord/manager and the information in the application documentation. Block licences are high priority irrespective of compliance history.

Once an inspection has been completed, we will consider serving formal notices. We will request the landlord to remove any serious home hazards. If such notices are not complied the council will consider the following options:

- service of a financial penalty;
- carrying out the works in default;
- prosecution.

Those in receipt of formal notices have the right to appeal to the First Tier Tribunal.

To ensure the scheme is effective, the Council also investigate unlicensed properties. The Council have undertaken 83 investigations into un-licensed properties. Of these, 49 have made an application and 16 are exempt. The remaining cases are under investigation. To date there has been no formal action required to ensure a licence application is made. In year 2, work will continue to identify unlicensed properties. Failing to license a property may result in a financial penalty or prosecution.

Income and expenditure

Year	1	2	3	4	5
Number of Applications	7200	1512	1140	998	570
<i>costs</i>					
Applications Processing etc	£ 2,160,804	£ 411,648	£ 311,527	£ 280,853	£ 165,249
General Costs - Representations/variatiions /withdrawn applications	£ 111,600	£ 14,369	£ 10,524	£ 9,485	£ 5,583
General Enquiries& Service Requests	£ 295,200	£ 38,007	£ 27,838	£ 25,089	£ 14,767
Enforcement - non compliance	£ 712,290	£ 91,707	£ 67,171	£ 60,537	£ 35,631
landlord Liaison/promotiom	£ 47,524	£ 6,119	£ 4,482	£ 4,039	£ 2,377
Travel/ICT	£ 98,640	£ 12,700	£ 9,302	£ 8,383	£ 4,934
Total Cost	£ 3,426,059	£ 574,549	£ 430,843	£ 388,387	£ 228,541
Income	£ 2,678,400	£ 760,572	£ 668,820	£ 602,774	£ 354,776

The above table shows the predictions for a cost neutral scheme. As the scheme operates over 5 years this must be reviewed regularly, however changes should not be made unless the reviews show a sustained change in the income and expenditure.

10,896 applications were received in year 1 (September 2022 to August 2023). This is 34% higher than the predicted number.

As the scheme commenced in September 2022, alignment to the fiscal year is necessary. For the fiscal year 2022/23, the predicted number of applications would be 6,000. In the fiscal year 2022/23 we received 9,728 applications and an income of £2,141,837. The predicted costs in year 1 were considerably more than the actual cost (£517,135). This is due to enforcement officers not being recruited in year 1. Recruitment will occur in fiscal year 2 (23/24) and fiscal year 3 (24/25) which will mean that the costs in these years will be higher than predicted in the table above. The scheme will remain cost-neutral.

Issues arising

Training officers in using the applications system has been a challenge, as the applications team was required to create procedures alongside providing training and support for officers. However, officers have worked to automate and streamline parts of processing to reduce the impact of long training times and staff turnover.

The Enforcement team maintained existing staffing levels. This meant the Enforcement team only undertook reactive work. This included work on unlicensed properties. Proactive inspection work will commence from year 2. The number of inspections will increase in the following years as resources increase.

As part of the application process, some managing agents could not use card payments. Therefore payments by BACS were requested, which was outside the applications process. This meant more work for the Applications team and Finance team. Officers have now implemented a system to ensure payments are reconciled properly, however this has delayed the issuing of draft and final licences for some agents.

The new applications system has proved difficult at times. Some areas were not operating smoothly. The system was quickly implemented, leaving minimal time to test it end-to-end. However, officers have persevered. They have made improvements alongside the software provider. This has assisted application processing, and it is expected the processing time will decrease per application in the following years.

The council holds Landlord Information forum sessions and has information on the website. Forum attendees requested more property standards information. They expressed difficulty finding it on the website. The Council acknowledge the need to provide more guidance to landlords about the inspection process and the expected standards in licensed properties. This is challenging due to the lack of specific regulations compared with HMO licensing. However, it is hoped that progress can be made in this area in year 2 of the scheme. The Councils' new website will improve landlords' ability to find information.

Conclusion

The implementation of selective licensing in the city has been challenging. The number of applications has exceeded the predictions. This is often the case when licensing schemes are introduced. Year 2 will focus on issuing the remaining licences and reducing application

processing times. The remainder of the scheme will focus on enforcement work to ensure the objective of the scheme, by removing housing hazards from privately rented homes, is met.

Monitoring data

Application Processing and Administration

Number of applications received:

Licence Type	New	Temporary Exemption
Q1(Sep- Nov)	5353	37
Q2 (Dec-Feb)	4000	29
Q3 (Mar-May)	755	16
Q4 (Jun-Aug)	788	6
Total	10896	88

Licences by ward:

Ward	Applications	Licence issued
Osney And St. Thomas	779	112
Cotteslowe And Sunnymead	628	104
Headington	623	115
Temple Cowley	619	106
Summertown	576	99
Hinksey Park	543	97
Carfax And Jericho	531	79
Cowley	529	118
Quarry And Risinghurst	500	114
Walton Manor	491	65
St Clement's	475	86
St Mary's	467	76
Marston	465	97
Littlemore	459	109
Donnington	408	94
Headington Hill And Northway	392	98
Barton And Sandhills	381	92
Rose Hill And Iffley	379	98
Churchill	371	75
Lye Valley	368	82
Wolvercote	366	84
Northfield Brook	254	58
Blackbird Leys	212	71
Holywell	76	5
	4	4
Total	10,896	2,138

Number of draft licences issued

Category	Early Bird	Accreditation	Standard	Total	Temporary Exemptions
Q1(Sep-Nov)	147	109	25	281	28
Q2 (Dec-Feb)	233	271	56	560	26
Q3 (Mar-May)	260	282	38	580	11
Q4 (Jun-Aug)	598	523	134	1255	1
Total	1238	1185	253	2676	66

Service Requests & Inspections

Period	Number of service requests received	Number of Suspected unlicensed cases	Number of HHSRS inspections
Q1(Sep-Nov)	62	0	28
Q2 (Dec-Feb)	76	0	44
Q3 (Mar-May)	81	53	41
Q4 (Jun-Aug)	70	30	29
Total	289	83	142

Housing Act notices served

Type of Notice	Number of properties
Emergency Remedial Action	1
Hazard Awareness Notice Category 1 hazard	7
Hazard Awareness Notice Category 2 hazard	7
Improvement Notice Category 1 &2 hazards	6
Prohibition Order – Category 1 hazard	6
Prohibition Order – Category 2 hazard	3