

**Report to** Cabinet  
10 December 2014  
**Report of** Head of city development services  
**Subject** Private sector housing accreditation scheme and additional  
licencing of houses in multiple occupation

**Item**

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## **Purpose**

To consider the introduction of a property accreditation scheme for privately rented accommodation in Norwich and to inform cabinet about how it is proposed that this will work with a future additional licensing scheme for houses in multiple occupation.

## **Recommendations**

To:

- 1) approve the introduction of a new property accreditation scheme as described in this report from the 1 April 2015; and,
- 2) carry out statutory consultation under the Housing Act 2004 on an additional licensing scheme for houses in multiple occupation, if the accreditation scheme is successful.

## **Corporate and service priorities**

The report helps to meet the corporate priority “Decent housing for all” and the service plan priority to conclude a review of Houses in Multiple Occupation (HMO) licensing and to deliver suitable recommendations. Financial implications

The scheme is designed to be self-financing and an annual membership fee will be charged (initially proposed to be £25 per property). The maximum risk for the first year of the scheme will be the cost of IT licences and promotional material (approximately £4,300), all other costs falling within existing resources.

**Ward/s:** All wards

**Cabinet member:** Councillor Bremner – Housing

## **Contact officers**

Emma Smith, housing strategy officer	01603 212937
Paul Swanborough, strategic housing manager	01603 212388

## **Background documents**

None

# Report

## Background

1. The private-rented sector has doubled in size in Norwich in the last 10 years and now comprises approximately 14,000 homes. The number of HMOs has also increased from approximately 1,900 to 3,000.
2. The recent private sector stock modelling carried out for the council by the Building Research Establishment has indicated that up to 25% of all HMOs and 20% (2,800) of all privately rented homes contain at least one category 1 hazard to health. The council has a statutory duty under the Housing Act 2004 to identify, inspect and where necessary take enforcement action to tackle those hazards.
3. In response to this, on the 18 March 2014, Council asked Cabinet to examine the case for using a system of accreditation and licensing as a way of setting standards and incentivising landlords to manage their properties in an acceptable manner thereby offering the opportunity for prospective tenants to make informed choices.
4. Although Norwich has a statutory HMO licensing scheme, this only applies to around 160 HMOs. The Housing Act 2004 does, however, give councils the power to introduce additional HMO licensing which would enable licensing to be extended to some or all of the remaining HMO stock.
5. A number of local authorities, notably Oxford, have introduced additional HMO licensing. Before doing this, however, housing authorities are required to explore alternative methods for tackling poor management, such as accreditation.
6. The Housing Act also allows licensing to be extended to all privately rented accommodation in an area where anti-social behaviour or low demand can be demonstrated. This has been done by Newham LBC on the grounds that the entire sector is contributing significantly to anti-social behaviour. It is not suggested, however, that either of the qualifying conditions apply to Norwich.
7. Accreditation schemes (either of landlords or individual properties) are common and Norwich has operated a landlord accreditation in the recent past. Their common weakness is that they are voluntary and landlords generally see very little merit in joining them. The offering of cash incentives (e.g. grants) usually results in no more than a few hundred members, most of whom already offer well-managed accommodation which shouldn't, in fact, require any intervention by the council. Their advantage, however, is that they are considerably less costly to run than licensing schemes since they generally rely on self-assessment with only a proportion of the properties being inspected to provide credibility.
8. Licensing provides a more rigorous approach to the enforcement of minimum standards in HMOs but it requires significant resources. For example, the requirement for the council to satisfy itself as soon as reasonably practicable that there are no category 1 hazards present implies that every licensed HMO will need to be inspected by a suitably qualified officer. Based on current experience, this would require at least three additional full-time officers to ensure that all 3,000 HMOs were inspected over 5 years.

9. The council has the power to recover the costs of administering an HMO licensing scheme including those of carrying out inspections (but not follow-up enforcement work should that be necessary although some of those costs are recoverable by using other Housing Act powers.)
10. The council is also empowered by the Local Government Act 2003 to charge for discretionary services (although only to the extent of recovering costs.) A fee can therefore be set for accreditation as adjusted as required in future years under existing delegated powers, which is more likely to recover the true costs since there would be no requirement for enforcement.

### **Analysis of options considered**

#### **11. Option 1: Do nothing (enforcement as is)**

- Activity will continue at current levels (100 sub-standard homes improved per year and 160 licenced HMOs regulated.) This is very low having regard to the extent of the problem.

#### **12. Option 2: Introduce additional HMO licensing**

- Will only apply to houses in multiple occupation
- Will require an increase in staff resources (although a reasonable proportion of the extra costs will be recoverable through licence fees.)
- Because it will 'catch' the 75% of properties that are satisfactory as well as the sub-standard ones, it is likely to be strongly opposed by local landlords particularly since the licence fee would need to be set quite high to recover the full costs of administration. Those costs would probably be passed on to tenants as rent increases.
- Staffing resources will need to be doubled to cope with the step-change from 160 licensable properties to 3,000

#### **13. Option 3: Introduce a voluntary property accreditation scheme**

- Fewer resources required to run it
- Experience has shown that these only ever attract a small percentage of landlords so are ineffective

#### **14. Option 4 (recommended): Introduce a hybrid property accreditation/additional licensing scheme**

- All HMOs will be required to have a licence unless they are included in the property accreditation scheme.
- Some risk of challenge on the legality of this approach but counsel's advice is supportive
- Further details set-out below

### **How the recommended scheme will operate**

15. The scheme will be primarily aimed at houses in multiple occupation although landlords of other privately rented accommodation will be encouraged to join through the offer of some benefits (e.g. a star-rating system and a lighter-touch to enforcement should that be required.)
16. A property accreditation scheme will be introduced in April 2015 which will run for one year. The whole application process will be on-line and self-service. Landlords will agree to a set of conditions around the property condition and management and will be able to claim 'stars' based on the provision of services above the basic standard (e.g. a 24-hour call-out service etc.) These self-assessments will be published on our website so can be challenged.
17. The scheme will be assessed after the first year through the inspection of a sample of properties. Assuming the proposed model is successful and an acceptable percentage of the sample are shown to comply with the conditions, it is proposed that consultation will then begin with the view to introducing a complementary additional HMO licensing scheme. That will require all HMOs in the city to be licensed unless the property is included in the accreditation scheme.
18. Licensed properties will be subject to inspection and the applicant will have to undergo a 'fit and proper person' test. Consequently, the fee for licensing will be considerably higher than for accreditation. It is hoped that this will provide sufficient incentive for the majority of landlords to accredit their properties and take steps to ensure that they don't lose that accreditation and have to license.
19. The principal intention of this approach is to enable the private sector housing team to focus its resources on sub-standard accommodation. It is based on the understanding that most landlords already comply with the law and would benefit from enforcement action being taken against those who don't (to remove unfair competition and to improve the currently poor public image of this sector.)
20. Whilst it is accepted that a minority of properties in the accreditation scheme will not be up to standard, it is proposed that in most cases a 'light-touch' approach will be used to encourage compliance. Ongoing failure, however, would result in the property being removed from the scheme and coming under the tighter enforcement regime offered by licensing.
21. If it proves necessary to amend the scheme's conditions of membership, disciplinary procedures and other matters concerned with running the scheme, this can be carried out under existing delegated powers.
22. It should be noted that this approach has not been tried by any other local housing authority and is an innovative application of the legislation. We have, however, received advice from Arden Chambers which indicates that it is legally sound. This approach is currently supported by landlord and agent representative bodies including the Eastern Landlords Association, the National Landlords' Association and local letting agents. This should reduce the risk of challenge.

## **Financial Considerations**

23. Appendix 1 shows a break-down of costs. These have been kept down by

automating, so far as possible, the application process although this requires some expenditure on IT software and licences. The sample sizes for subsequent inspections have also been set to ensure that they can be achieved within existing resources. The sample size is greater for year 1 to provide greater confidence in the results for the purposes of making a decision about the form of HMO licensing to introduce. From year 2 onwards, the sample size can be reduced since it will be more of a basic check that the scheme is operating satisfactorily.

24. It is proposed that a £25 annual fee should be charged to recover the scheme's costs over 5 years and to reflect some uncertainty and risk around the costs particularly in year 1. The risks have been itemised in Appendix 2.

25. This fee is comparable to similar schemes offered by other local authorities as shown in appendix 3.

# APPENDIX 1

## Fee calculation

	Set-up	2015-15	2016-17	2017-18	2018-19	2019-20	Annualised
<b>Target No of applications (cumulative)</b>		300	1000	1500	2000	2500	1460
<b>Annual evaluation visits</b>		169	88	90	92	93	
<b>Fixed Costs/£</b>							
Purchase of Idox connectors	10900	0	0	0	0	0	1817
IT licence	4000	4000	4000	4000	4000	4000	4000
Promotional material	500	200	200	200	200	200	250
SH manager	3440	3440	3440	3440	3440	3440	3440
SH support team leader	6480	6480	6480	6480	6480	6480	6480
HS Officer	6859	6859	6859	6859	6859	6859	6859
Sub total	<b>32179</b>	<b>20979</b>	<b>20979</b>	<b>20979</b>	<b>20979</b>	<b>20979</b>	<b>22846</b>
<b>Variable Costs</b>							
Inspection administration	0	4330	2255	2306	2357	2383	2272
Inspection (including travel)	0	9373	4881	4992	5103	5158	4918
Sub total	<b>0</b>	<b>13703</b>	<b>7135</b>	<b>7298</b>	<b>7460</b>	<b>7541</b>	<b>7189</b>
<b>Total Costs (for fee calculation)</b>	<b>32179</b>	<b>34683</b>	<b>28115</b>	<b>28277</b>	<b>28439</b>	<b>28520</b>	<b>30035</b>
<b>Income</b>	0	7500	25000	37500	50000	62500	30417
<b>Break-even fee</b>	<b>£21</b>						
<b>Proposed fee including a 20% uncertainty/risk factor</b>	<b>£25</b>						

**Risks**

	<b>Risk</b>	<b>Level</b>	<b>Mitigation</b>	<b>Level after mitigation</b>
1.	Failure to register sufficient numbers of properties. This would lead to a cost to the general fund.	2x3 = 6	The first year target is modest and is based on numbers 'offered' by landlord representative bodies and supportive agents. If achieved it would bring in £7,500 which would reduce the first year cost to the general fund to under £25k.	1x3 = 3
2.	Legal challenge (judicial review) – principally a reputational risk.	4x2 = 8	A challenge is likely if we proceed to a full HMO licensing scheme but we will have a robust evidence base to support it. Landlords and agents are currently supportive of our proposals and a key task will be to keep them 'on-side' during the first year.	3 x 2 = 6
3.	Increase in complaints due to challenges to the self-assessments leading to a moderate direct effect on service delivery	3 x 3 = 9	This would be managed by diverting resources away from pro-active inspection programmes and reducing the sample size for the evaluation of the scheme. It would not, therefore, affect current targets.	3 x 1 = 3
4.	Sampling reveals a high number of properties requiring enforcement	3 x 3 = 9	Resources could be diverted from pro-active inspection programmes but there is a risk that this might exceed the capacity of the private sector housing team	3x3 = 9

**Examples of accreditation schemes operating in other local authority areas**

<b>Scheme</b>	<b>What is it?</b>	<b>Fee</b>	<b>Duration</b>	<b>Joining requirements</b>
<b>Derby Accredited Property Scheme</b>	The Derby Accredited Property Scheme is designed to encourage better management and standards within let property, and enables landlords to demonstrate that their property is safe and well maintained. The Scheme is voluntary and currently free to join.	Free	Annual	When landlords apply to join the Scheme, the properties they put forward for accreditation go through an inspection to make sure that they comply with the standards set out by the Scheme. Landlords also have to commit to good management practices and standards, and will need to sign a declaration of their 'Fit and Proper Person' status information which may be verified by the Council.
<b>Essex Landlord Accreditation Scheme</b>	A consortium of 8 Essex district councils has set up the Essex landlord Accreditation Scheme (ELAS) in order to promote good management practices and improve the physical condition of private rented properties in their districts.	£95	Annual	The consortium has agreed accreditation standards for membership. Compliance with these standards and payment of an annual membership fee entitles a landlord to become a member of ELAS.
<b>Landlord Accreditation North &amp; Central Staffordshire</b>	A voluntary scheme available to any private landlord who owns and rents out properties in the North and Central area, whether they are locally based or not. Staffordshire University and Keele University require that any private sector landlords wishing to advertise their vacant properties via the Studentpad, have to be a member of the Landlord Accreditation Scheme North & Central Staffordshire.	£60	2 years	Accreditation will be given where a landlord meets the criteria of the Scheme. This will involve ensuring, as far as reasonably possible, that the landlord is responsible, competent and suitable to be a member of the Scheme. Successful applicants' details will be held on a register and updated periodically by the Scheme Operators. The name of Accredited Landlords will be publicly available on the scheme website to raise the profile of the Scheme to prospective tenants.



Scheme	What is it?	Fee	Duration	Joining requirements
<b>Leeds Accreditation Scheme</b>	Leeds Landlord Accreditation Scheme (LLAS) is a voluntary scheme that private residential landlords are encouraged to join by Leeds City Council	Up to 5 properties £45, 6-10 £90, 11-20 £135, 21-30 £180, More than 30 £225 per landlord	Annual	To become a member of LLAS requires a commitment and an agreement to abide by the scheme requirements
<b>London Landlords Accreditation Scheme</b>	A scheme to recognise good landlords and agents who have the skills to run a successful rental business and so provide their tenants with good quality and safe accommodation.	Free but have to pay for a course to join	5 years	You need to attend a one-day development course which costs £89.90 if paid online (otherwise £120), agree to follow a code of conduct and to be a fit and proper person.
<b>Midland Landlord Accreditation Scheme</b>	Has a primary focus of accrediting professional landlords and agents across the Midlands. Homestamp is an award-winning partnership consortium with a direct interest in private sector housing, comprising of Local Authorities, the private rented sector, Universities, Police and Fire Services	£150 per person	5 years	Compulsory attendance at an Accreditation Day Seminar at a cost of £150.00
<b>Oxford landlord Accreditation Scheme</b>	A voluntary scheme relying on self-regulation, goodwill and trust on the parts of Landlords, Letting Agents, tenants and the Local Authority.	Free	3 years	(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 (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. Accredited Landlords and Agents are required to attend the one day training course within three to six months of becoming accredited (the workshops are free).

## Integrated impact assessment



**NORWICH**  
City Council

The IIA should assess **the impact of the recommendation** being made by the report

Detailed guidance to help with completing the assessment can be found [here](#). Delete this row after completion

### Report author to complete

Committee:	Cabinet
Committee date:	10 <sup>th</sup> December 2014
Head of service:	Andy Watt
Report subject:	Private sector housing accreditation scheme and additional licencing of HMOs
Date assessed:	25 <sup>th</sup> November 2014
Description:	

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The scheme will make better use of enforcement resources
Other departments and services e.g. office facilities, customer contact	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ICT services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Economic development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Financial inclusion	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Safeguarding children and adults	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<u>S17 crime and disorder act 1998</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Human Rights Act 1998	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Health and well being	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The scheme is intended to remove hazards to health in the privately rented sector

	Impact			
Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Eliminating discrimination & harassment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Landlords will have to sign up to a national industry code of practice on good management.
Advancing equality of opportunity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Natural and built environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Waste minimisation & resource use	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Pollution	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Sustainable procurement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Energy and climate change	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Risk management	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

**Recommendations from impact assessment**

**Positive**

**Negative**

**Neutral**

**Issues**