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**Consultation on proposal to renew the existing Additional Licensing Scheme for Smaller Houses in Multiple Occupation (HMO) in Rochdale**

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Rochdale Borough Council wish to designate the entire district of Rochdale as subject to an HMO Additional Licensing scheme for smaller two storey HMO's. The last additional licensing scheme ran by the authority expired on the 6th July 2016.

This document sets out the reasons for renewing the scheme and seeks the views of landlords, residents, tenants and managing agents who may be affected by the proposal. If implemented, the scheme will run for 5 years.

Our intention is to retain the same area and licensing conditions which have operated over previous additional licensing schemes ran by the council in order to maintain continuity and avoid confusion for both landlords and tenants of HMO's.

**Background Information**

The Rochdale Borough is located in the Southern Pennine Moors, in the north-east region of the Greater Manchester conurbation. The Borough covers 62 square miles of which about two-thirds is rural. It is characterised by urban developments of dense housing and industrial areas located along major route ways, surrounded by hilly areas of rural land.

The Borough is divided into four Townships based around the towns of Rochdale, Heywood and Middleton, together with the eastern urban area that form the Pennines Township. Each Township has its own distinctive background and character with which residents identify.

**Demand for Private Rented Accommodation**

The number of households in Greater Manchester increased by 50,178 since 2011 (a 4.4% increase). Households in the private rented sector (PRS) increased the most. There were 60,939 more households with this type of tenure in 2021 in Greater Manchester compared with 2011 (a 34% increase). In Rochdale, the private rented sector accounts for 18% of households, reflecting an increase in over 5000 properties between 2011 and 2021.

The world has changed significantly since 2016 and the apparent nationwide housing and cost of living crises have taken their toll on Rochdale, as in any other locality. The availability and affordability of accommodation is as stark a situation as it has ever been, forcing residents to accept substandard accommodation as their only viable options.

The range of demand on the private rented sector is also at an all-time high. As well as increased demand from would-be home buyers who struggle to get a foothold in the market through unaffordable mortgages and high costs of living, increased demand for homeless accommodation due to the economic down turn, coupled with increases in demand from asylum and supported accommodation, combine to form a situation where the highest bidder wins and the availability of quality, affordable accommodation is at an all-time low.

These circumstances create an ideal breeding ground for unscrupulous landlords who can easily let the worst standard of properties in such a demanding market.

With such depleted local housing stock, housing enforcement officers need as much sight of the property and its use in their area as they can, to ensure properties are managed safely and legally. The reinstatement of an additional licensing scheme in Rochdale will ensure less properties can operate under the radar, giving the housing standards department powers to enter and maintain standards in properties operating under the mandatory licensing, five person threshold.

Balancing good quality supply with demand will help to stabilise rents and encouraging good quality management will improve the reputation of the sector and establish longer term lets and lower turnover. However, this is a challenging task where existing landlords need to be encouraged to participate and new owners and investors need to be identified.

Need for HMO Accommodation

With around 90,000 homes and a population in the region of 223,000 in Rochdale, the demand for affordable accommodation is higher than ever before and in view of the nationwide and locally affecting housing crisis, there is a distinct lack of available private rental accommodation. With house prices at record levels and the inevitable hike in rents to meet cost of living and mortgage rate increases, Houses in Multiple Occupation, more than ever, will provide a valuable source of much needed affordable accommodation.

Although the council values this type of accommodation, HMO's unfortunately provide some of the poorest quality housing, with issues of disrepair, overcrowding, waste accumulation, poor maintenance and issues of anti-social behaviour affecting local residents. This can often stem from the nature in which they are occupied- by unrelated individuals sharing amenities within the accommodation. These situations require proper management to maintain effective tenancies.

We are continuing to see serious cases of Rogue landlords exploiting the lowest paid migrant workers and the use of illegal outbuildings often linked to HMO properties. Furthermore, we are noting that unregulated HMO’s are providing an unseen haven for facilitating illegal immigration and illegal employment.

As a council we strive to work with good landlords and encourage good practice within our private rented sector so that we have many properties in our borough which are well managed and run in a professional manner. Unfortunately due to very high demands for affordable housing, even the poorest quality accommodation can be rented with ease, therefore we are keen to drive up standards within the HMO sector and take action against unscrupulous landlords who profit from substandard accommodation.

**What is a House in Multiple Occupation?**

A House in Multiple Occupation, often referred to as an HMO, is a building, or part of a building that is occupied by three or more people forming two or more households and where facilities such as a bathroom, toilet or kitchen are shared. This means any property occupied by unrelated individuals such as sharers, students, single professionals etc. is classed as an HMO and must therefore comply with basic health and safety requirements. Only HMO’s occupied by five or more unrelated persons are subject to mandatory licensing.

**What is HMO Licensing?**

Under the Housing Act 2004, there are 2 types of HMO licensing- mandatory and additional.

Mandatory Licensing applies to properties that are:

* Occupied by five or more persons, and;
* Those persons form two or more households.

This scheme operates across the country but covers a limited amount of properties in Rochdale as most of our housing stock consists of smaller, two storey houses which fall outside the remit of mandatory HMO licensing. We currently have 39 mandatory licensed HMO's in the borough.

Additional Licensing applies to properties that are:

* Occupied by three or more persons, and;
* Those persons form two or more households.

Rochdale Council introduced a borough wide HMO additional licensing scheme in May 2006 which requires any HMO occupied by three or more tenants, forming two or more households, to be licensed. The scheme was extended in 2011 for a further five years. This scheme ran in conjunction with mandatory licensing and expired in 2016. We currently have 80 properties we know would require additional licensing following implementation of the scheme. Most alarmingly, the housing standards department is aware of a potential further 406 properties that may also require additional licensing, pending further investigation.

**What Action has already been taken?**

The housing standards team work closely with a variety of internal and external organisations to help improve standards within HMO's across the borough and these include planning and building control departments, Greater Manchester Fire & Rescue Service, Voluntary Organisations, and local letting agents. We also operate a Private Sector Landlords Forum where we promote good practice amongst landlords and provide training on a range of relevant and informative topics.

As well as responding to service requests and complaints from private tenants and

concerned residents, Operation Maverick is the team’s method of undertaking multi-agency, unannounced visits to premises where landlords, agents and property owners are likely to be operating unsuitable accommodation. This methodology has proven to be extremely successful in unearthing illegal HMOs, along with a wide range of other offences including immigration offences and fraud. The project has also uncovered links to serious and organised crime issues including people trafficking and modern slavery.

This extra work has targeted our worst properties that are multi-occupied, often housing the most vulnerable residents within the borough, and has amassed significant intelligence about who owns and manages these properties. The figure below, evidences the results of the operation over the last financial year.



**Why additional licensing needs to be reintroduced**

It remains difficult to access data about the private rented sector generally but even more so where properties are not registered with authorities or advertised through letting agents. Hence there is a ‘dark’ or ‘hidden side’ of the rental market in Rochdale where there is a growing number of poor quality landlords offering very poor quality and often illegal properties for rent. This is a very difficult sector to monitor and manage which provides housing for low income households with very few options. For example, census records (which are reliant on voluntary submission of information) evidence the presence of 33 smaller HMO’s in the Rochdale area, which would fall under additional licensing. Our findings reveal a much higher number of licensable HMO’s in operation than the census suggests. Of those that are discovered, all of the HMOs inspected in the borough from 2016 to present were found to contain category 1 hazards. Furthermore, almost all the HMOs failed to provide appropriate fire safety. Fire alarm systems were either lacking entirely or not kept up to standard. Fire doors were either missing entirely or poorly maintained. General wear and tear are greater in “bedsit style” HMOs, given the high turnover of tenants and heavy use of shared facilities. It appears that landlords are not maintaining properties, either through lack of proper / regular property inspections, or because of a lack of regard to the effects these defects have on the tenants.

As can be seen, it is hard to place an exact figure on the number of properties that are operating as illegal houses in multiple occupation and even harder to place a figure on the number of properties that are occupied by 3-4 individuals, therefore falling under the 5 person statutory threshold required to invoke powers under the Housing Act 2004 around mandatory licensing.

In the current state of crisis, with such a saturated housing market, a search for rental properties in Rochdale returns scant results. The same is true of a search for rental properties within the HMO sector. The table to the left depicts the results of such a search at the time of writing.

|  |  |
| --- | --- |
| Postcode | Number of adverts found |
| M24 | 4 |
| OL10 | 7 |
| OL11 | 9 |
| OL12 | 4 |
| OL14 | 0 |
| OL15 | 1 |
| OL16 | 3 |

Whilst displaying the lack of availability of accommodation in the small HMO sector, this evidences more strongly the need to ascertain the standard of such properties in a unscrupulous and demanding market, where the vast majority of small HMOs are already occupied, the asking prices are high, tenant options are low, and the resultant likelihood of property standard complaints drops considerably.

With the exception of the census, which we know cannot be relied upon as an indication of the possible number of properties that would fall under an additional licensing scheme, the data to quantify the number of these properties is difficult to obtain. With that said, what we are aware of are properties which have come to our attention through either reporting, intelligence or proactive work. The following case studies example the need to identify and address these properties within our communities:

Source: https://www.spareroom.co.uk/

**Example 1**- Rochdale town centre

Via a referral from Greater Manchester Police following the arrest of a wanted male , the team attended a property situated above and within a commercial warehouse premises, accessed only by a rear door was discovered to have 4 separate rooms rented from the operator of the commercial entity on the ground floor. The property had no early warning systems with regards to fire safety and was only accessible via a stair case littered with storage from the commercial premises. One of the rooms was occupied by a vulnerable, elderly male who had significant support needs and there was evidence of children staying within one of the rooms. The property had kitchen and bathroom facilities that were shared between the residents. A fire at these premises would have almost certainly resulted in fatalities at this property. After initial hurdles of establishing the ownership and responsibility of the property, Housing Standards officers issued an emergency prohibition order and were left with only HMO management regulations to enforce at the property as a result of the lack of an additional licensing scheme at the time. The presence of additional licensing in the district would have afforded officers more comprehensive powers of entry and enforcement at this property to better safeguard the individuals involved and address the activities of this rogue landlord which had endangered the life of his tenants. The penalties for failure to licence are HMO are significantly higher than that of a breach of HMO Management Regulations.

**Example 2**- Deeplish, Rochdale

Intelligence was received about unrelated foreign nationals, in the form of single males, occupying a terraced property with the suspicion the property was operating as an illegal HMO. The intelligence indicated the property was hosting illegal immigrants and the occupancy of the property changed on a regular basis. A joint visit under Operation Maverick with police colleagues revealed an illegal immigration staging address. Various foreign males, some of whom lacked any permission to stay within the UK were residing at the property to establish student visas, local work and access local services, benefits and longer term housing. An emergency prohibition order was served to the attic room for fire safety. The housing standards team, in conjunction with partners, worked to disrupt the activity at the property and bring it into compliant use

**Example 3**- Heywood

A recently acquired commercial property operating as a shop was reported to have premises above operating as an illegal HMO. A visit by housing standards officers revealed 7 persons (including a child), from 4 unrelated households living in the property sharing toilet, washing and cooking facilities. The property had only one means of escape, obscured and rendered unsafe by combustible materials obstructing the only means of escape. The property had no interlinked fire detection and there was no record on local authority or partnership organisation systems of any of the occupants residing there.

Despite high property prices, research shows rental yields from HMO’s are still strong at 6-9% versus around 5% for flats and houses. In view of this data, HMO’s represent a growing area of the market in need of regulation.

Rochdale has been identified nationally as an area to invest in property for maximum investment return. A common theme has emerged in Rochdale of overseas investors purchasing two and three bedroom properties with a view to maximising profit by converting properties into four bedroom HMO’s to permit maximum occupancy levels. These properties are being found to be below minimum permitted standards for HMO occupation. Additional licensing would bring much needed regulation to this area of non-compliance.

An additional HMO licensing scheme would provide further intelligence about property condition, enabling targeted, proactive inspections to drive up standards. It will invariably improve the living conditions for those tenants occupying 3 and 4 person HMOs.

The introduction of additional licensing will benefit the communities across the borough who have experienced the negative impact of this type of HMO property being managed sufficiently ineffectively as to give rise, or to be likely to give rise, to one or more particular problems.

**Is there any other way of addressing the problem?**

In accordance with section 57(4) of the Act, local authorities must consider whether any other courses of action available to them might provide an effective method of dealing with the problem, and must justify that 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). After careful consideration, the council has concluded that an additional HMO licensing designation is the most appropriate course of action in the circumstances, and that it will significantly assist it in achieving its objectives. Alternative approaches to the designation of additional HMO licensing in the area have been considered by the Council, and are set out below:

|  |  |  |
| --- | --- | --- |
| Alternative Solutions | Weaknesses | Strengths |
| Selective Licensing  | Depending upon the area of designation, will not address the issue of small HMO’s across the entire district Much higher administrative demand and financial cost to establish  | Will require all properties within the district of the authority or a designated area to be licensed, invariably driving up property standards and landlord behaviour in that area  |
| Landlord and Tenant Liaison scheme | Requires initiative from landlord/tenant Will not deal with property condition No enforcement powers Limited caseload for OfficerSource of funding unclear | One to one advice/support to deal with specific issue |
| Education programme for private landlords | Requires landlord voluntary engagement Source of funding unclear No enforcement powers available | Improves standards where landlord is engaged with Authority and promotes confidence amongst tenants. Documented evidence of landlord’s engagement |
| Private sector leasing scheme | Requires landlord voluntary engagement and does not improve management standards of landlords who chose not to join the scheme. No enforcement powers available  | Contributes to homelessness prevention as could be used for allocation to those in housing need. |
| Targeted use of Special Interim Management Orders | Resource intensive Does not present a long-term solution to poor management of private rented properties (up to maximum of five years – then returned to original owner). Does not tackle poor management techniques. Reactive Intervention of last resort.Can only be used on specific properties where detailed evidence supports the action | Removes landlord responsibilities and gives to responsible nominated agent. Improves standards for tenants and local community. |
| Proactive inspection regime | Resource intensive Unless funded – limited capacity of existing staff to undertake inspections Source of funding unclear Will not deal with poor management standards | Improves standards for tenants and local community |

The Council continues to operate a Landlord Accreditation scheme; however, over the last five years take up has been very low from HMO landlords. It is a valuable tool and we will endeavour to promote and encourage landlords to engage with the Council, however, as there is no mandatory requirement for landlords to comply, we do not consider that Landlord Accreditation, as a standalone measure, would provide an effective method of achieving the objectives the designation is intended to achieve.

The Council has been unable to identify any practical and beneficial alternative courses of action available that would achieve the same objective or objectives as the proposed scheme without the need for the designation to be made. In that regard, there are several barriers or limitations to the use of the alternative courses of action in isolation.

In summary:

* Aside from the use of targeted management orders and a pro-active inspection regime, the other measures require the voluntary engagement of landlords or tenants in order to achieve the required objectives.
* There is the likelihood that some of the finance required to undertake other course of action would need to be collected from council tax. This seems unjust when many of the problems are caused by the lack of effective tenancy management. Additional HMO licensing will be entirely self-financing, paid for by the licence applicants and any applicable regional funding- not the community.
* The use of Special Interim Management Orders and Empty Dwelling Management Orders on all problematic properties would be neither appropriate nor feasible, given the number of properties. The Council must act in a proportionate manner and such a heavy handed approach would undermine our efforts to work with landlords to improve standards. Additional HMO Licensing provides an opportunity to continue to forge partnerships with otherwise anonymous private landlords, use enforcement measures where required and provide training and support, where the use of these orders does not. The resources and infrastructure required to administer such management orders is currently not in place.
* Council provides a dedicated HMO webpage directly linking landlords to all relevant legislation and safety standards, information is widely available, but relies on proactive engagement from landlords to research and act on findings.
* None of these tools provide a long-term solution to the training of inexperienced landlords who, via the licensing process will be educated into long term compliance.

* The introduction of Article 4 – The introduction of Article 4 has been considered for certain oversaturated areas of the borough. This will not, however, improve the standards of the current private sector stock and is potentially at odds with current housing strategy to provide a higher amount of affordable, well managed accommodation.

Each of the above courses of action can help to address the problems when combined with an additional licensing designation but the Council considers that none of the above (alone or in combination) would provide an effective method of achieving the objective envisaged for the designation.

 Additional HMO licensing is unique in providing a clear and robust legal framework within which to engage private landlords and deliver an integrated approach to tackle issues in a comprehensive manner to address the challenges across the borough and ensure any property improvements are sustained along with the safeguarding and health & wellbeing of the boroughs most vulnerable residents.

**The Proposed Scheme**

Our intention is to retain the same borough-wide area and qualifying criteria that we operated in the last scheme that ended in 2016.This will avoid confusion and provide the same licensable conditions for both small and larger HMO’s.

Licenses will normally last for five years although where we may have concerns over a history of poor management then a shorter two year license can be issued.

Landlords will need to supply copies of all current safety documentation at the time of application such as gas and electrical certification, fire detection systems, emergency lighting, portable appliance testing and fire risk assessments. A license fee will be payable to cover the cost of administering the scheme and carrying out property inspections to ensure each HMO complies with current health and safety standards. The fee for a new license will be £908 with a £47 per habitable room inspection fee, for a five year license.

Attached to each licence will be a set of mandatory conditions for each property which will cover the following areas:

* Maintenance of gas installation and appliances
* Furniture must comply with the furnishing fire safety regulations
* Electrical appliances must be maintained in a safe condition
* Smoke alarms must be maintained and kept in good working order
* All occupiers must be supplied with written tenancy agreement
* Owner must manage any issues of anti-social behaviour
* Owner must maintain the property in good condition in accordance with the HMO management regulations
* All facilities must be kept in a good state of repair
* The owner must not overcrowd the property and exceed the number of persons specified on the license
* Waste management provision

License holders must also be a 'fit and proper person' which means they must not have been prosecuted under the Housing Act or committed any relevant offence, such as fraud or acts of violence.

The primary aim of the scheme is to keep occupants of HMO's safe, improve living conditions, property management and to ensure that any HMO does not have an adverse effect on the surrounding neighbourhood.

**How can I take part in the consultation?**

* Complete the online HMO questionnaire on the council website
* Request and complete a paper questionnaire
* Attend our next Private Sector Landlords Forum
* Email or write with your comments to:

Housing Standards Team, Strategic Housing, Number One Riverside, Smith Street, Rochdale, OL16 1XU

Email: landlordlicensing@rochdale.gov.uk

The consultation is open for ten weeks until the ……………….

The council cabinet will take the consultation responses into account when it decides whether to implement the proposals.