The potential for an extension of discretionary licensing in the London Borough of Tower Hamlets

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Neighbourhood
Knowledge Management

Executive Summary

Potential for Extension of Discretionary Licensing

The London Borough of Tower Hamlets commissioned Mayhew Harper Associates Ltd. to undertake further research of the privately rented sector in the borough. The purpose was to evaluate the case for an extension to the discretionary licensing of private landlords, either Additional or Selective Licensing or both.

Housing in Tower Hamlets is in great demand. Between the 2001 and 2011 Censuses the number of homes grew by 25.7% to 101k. Our own analysis of the Local Land and Property Gazetteer estimates that there is currently 128k homes of which an estimated 81.5k are privately owned.

Significantly, private landlords now provide more homes than any other sector in Tower Hamlets. Indeed, it is highly significant that the private rented sector grew by 135% between 2001 and 2011 whereas social housing fell by 2.7% based on the Census.

The current population of Tower Hamlets stands at 297k but this is projected to grow to 364k by 2026, or by 22.5%. The acute shortage of affordable housing has resulted in high numbers of homeless families and thousands living in overcrowded properties whilst many newer properties in the south stand empty or under-occupied.

The Borough housing strategy is concerned with creating more choice for such households, but it also wishes to ensure that the standards of accommodation for people in private rented housing are as good as they can be especially in the older-builds.

Licensing properties gives Tower Hamlets greater control over housing standards and so is an important tool for weeding out poor landlords and improving the quality of accommodation

Selective Licensing of all private rented properties, introduced in October 2016 and due to run for five years, already operates in three wards - Whitechapel, Weavers, Spitalfields and Banglatown. The designated areas are those which suffer or are likely to suffer from significant and persistent anti-social behaviour (ASB).

Under Additional Licensing a council can impose a license on other HMOs in its area which are not subject to Mandatory or Selective Licensing, but where the council considers that poor management of the properties is causing problems either for the occupants or the general public.

Additional licensing applies to private rented properties in multiple occupations that are shared by three of more tenants living in two or more households. This excludes HMOs that require a mandatory licence which applies to properties with three or more storeys, shared by five or more people living in two or more households.

Under Additional Licensing a Local Authority can specify the maximum number of

people who can occupy the house and live in separate households, attach conditions relating to the management of the building, and also make sure that amenities are kept up to standard.

For example, this research estimates there are up to 18,000 HMOs based on the extended definition of HMOs with no limit on storeys and 3 or more adults of which approximately half are believed to contain three or more adults.

The case for extending selective licensing to the whole borough which would cover all privately rented properties and not just HMOs is also very strong in some wards more than others, but in order to introduce it a case would need to be made to the Secretary of State for approval.

Based on the evidence of recent failed applications by other boroughs to introduce similar schemes covering over 20% of their private rented sectors, it is not recommended that Tower Hamlets follows this path.

We found that, whilst existing Selectively Licensed areas comfortably meet this condition, there was a very small theoretical margin to extend it. However, after testing a range of options, we concluded that widening the present scheme would have limited impact and result in significant practical problems.

On this basis it is recommended that Additional Licensing be introduced borough-wide except in wards where Selective Licensing currently operates. The report provides the evidence and analysis to support these recommendations and includes a property level database which can be used for further analysis as required.

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1. Introduction

Potential for Extension of Discretionary Licensing

The London Borough of Tower Hamlets commissioned Mayhew Harper Associates to undertake further research of the privately rented sector in the borough. This report produces independent evidence to evaluate the case for an extension to discretionary licensing in the borough by determining:

1. Whether there is sufficient evidence for the Council to bring in an additional licensing scheme across the Borough. If such a scheme was introduced it would cover all HMOs irrespective of number of storeys where there are 3 or more tenants but would exclude those wards already operating Selective Licensing schemes.

2. Whether there is evidence available for the Council to request the Secretary of State to enable a Selective Licensing scheme designation to be permitted across the whole Borough adding to the existing Selective License schemes already operating.

The research builds on previous work completed in 2013 by demonstrating links between private renting and the incidence of poor housing conditions. It takes into account changes in the housing and rental markets since and updates the previous analysis produced then.

In addition, it uses expanded criteria introduced by the Government in March 2015 for the introduction of Discretionary Licensing schemes by contextualising the evidence to include potential associations between private renting and deprivation and immigration.

1.1 Background

Housing in Tower Hamlets is in great demand. Currently, the population of Tower Hamlets stands at 297k but this is projected to grow to 364k by 2026, or by 22.5%. This compares with 9% in the Greater London area and 7% nationally.

This growth has been fuelled by several factors including massive new housing developments in Docklands which is the focus for much of the growth. Tower Hamlets has also been a preferred destination for many international migrants with net additions of over 50k people in the last decade.

Between the 2001 and 2011 Censuses the number of homes grew by 25.7% to 101k. Latest projections from DCLG suggest that this had grown to between 125k and 127k in 2014. Our own analysis of the Local Land and Property Gazetteer estimates that there is currently 128k homes of which an estimated 81.5k are privately owned.

Although there are pockets of affluence especially in the newly developed areas, Tower Hamlets remains one of the poorest boroughs in the country. Analysis shows that while deprivation remains widespread in Tower Hamlets, the borough now contains fewer of the most highly deprived areas in England so there has been

some progress to report.

One the other hand, the housing problems facing the borough have grown significantly, with nearly half of households in the borough living in income poverty, and nearly 20,000 people on the housing register according to the housing strategy. Ironically, the newly developed homes in the regenerated areas are unaffordable for most.

The acute shortage of affordable housing has resulted in high numbers of homeless families and thousands of families living in overcrowded properties and this is set to increase because of population growth. Significantly, private landlords now provide more homes than any other sector in Tower Hamlets.

Although many homes are of high quality, private renting is increasingly the only option for people who cannot find a home in the social sector or cannot afford to buy. It is highly significant, for example, that the private rented sector grew by 135% between 2001 and 2011 whereas social housing fell by 2.7% based on the Census.

The Borough housing strategy is concerned with creating more choice for such households, but it also wishes to ensure that the standards of accommodation for people in private rented housing are as good as they can be especially in the older-builds.

The aim is not only to drive out the bad landlords and agents, but also to support small landlords to provide decent, well-managed homes to their tenants and for tenants to understand their rights and have access to legal protection.

A key component of the housing strategy published in 2016 is to review existing licensing schemes for the private rented sector. Licensing properties gives the council greater control over housing standards and is an important tool for weeding out poor landlords and improving the quality of accommodation.

The licensing policy has two strands - first is to explore options for one or more Additional Licensing schemes for houses in multiple occupation (HMOs) and the second to consider the need for, and also the feasibility of, a wider Selective Licensing scheme.

1.2 Discretionary licensing

All Houses in Multiple Occupation, in the borough, of three or more storeys in height and having five or more persons within at least two households must be licensed according to the Housing Act 2004. This is called Mandatory Licensing.

 'Discretionary licensing' means any licensing of residential property under the Housing Act 2004 (the Act) that goes beyond the national mandatory HMO licensing requirements contained in the Act.

Potential for Extension of Discretionary Licensing

The two types of discretionary licensing are:

–   (a) <u>Additional:</u> where a council can impose a licence on other HMOs in its area which are not subject to mandatory licensing, but where the council considers that poor management of the properties is causing problems either for the occupants or the general public.

–   (b) <u>Selective</u>: covering all privately rented property in areas which suffer or are likely to suffer from low housing demand and also to those that suffer from significant and persistent anti-social behaviour (ASB).

In both cases Councils must however consult local landlords before introducing Additional or Selective Licensing and it must be widely publicised when it comes into force. Of the two cases, Selective Licensing is a more general power but also more specific in its conditions.

The rules for its introduction require that local authorities obtain confirmation from the Secretary of State for any Selective Licensing scheme which will cover more than 20% of their geographical area or will affect more than 20% of privately rented homes.

The criteria have now been extended to include areas experiencing poor property conditions, influxes of migration, a high level of deprivation or high levels of crime as well as ASB. This widening means that more evidence can be brought to bear to justify its implementation.

In an earlier consultation phase, Tower Hamlets succeeded in its application to selectively license, all privately rented property in three wards - Whitechapel, Weavers, Spitalfields and Banglatown. This took effect in October 2016 and is initially due to run for five years. The number of licensed properties is now over 3,000 but the number taken out at the time of this research was 2,368.

Mandatory licenses apply to shared dwellings of at least five persons where the dwelling is located over three storeys. These are traditional bedsit or shared house HMOs associated principally with students or individuals who share one or more facilities such as a kitchen or bathroom. HMOs can also include smaller shared properties and poorly converted flats.

Following a recent consultation it remains the Government's view that five people in two households should be the appropriate number of persons for the threshold to apply for smaller HMOs. It found that there was no compelling evidence put forward to increase this number.

However, it is intending to remove the reference to the number of storeys from the prescribed description of large HMOs, so that all HMOs occupied by five or more people from more than one household, are included, including flats above and

below business premises.[1]

Currently there are around 300 Mandatory licenses in force in Tower Hamlets but this number would be greatly expanded if Additional Licensing were to be introduced. However, it is not known how this would compare with the Government's proposed changes to the definition of HMOs above.

If Additional Licensing is introduced it means that a Local Authority can specify the maximum number of people who can occupy the house regardless of storeys, attach conditions relating to the management of the building, and also make sure that amenities are kept up to standard and so the number of properties captured by such a change would be much greater.

However, before its introduction, a local authority 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 to be likely to give rise, to one or more particular problems either for those occupying the HMOs or for the wider community.

In this regard, a range of circumstances can be envisaged including untidy or ill-maintained dwellings, fly-tipping, untidy front gardens and all hazards of various kind including overcrowding, under occupation, fire safety, damp and mould, electrical hazards, hygiene issues and so on which could adversely affect occupants, nearby residents or the local community.

1.3 Structure of the report

The rest of the report examines the case for the extension of Selective licensing and for the borough-wide introduction of Additional Licensing.

Section 2 considers the identification of private rented properties and the method and approach adopted in relation to demographic trends

Section 3 analyses data on ASB including trends over time and considers the relationship between ASB, private renting, and deprivation at ward and neighbourhood level

Section 4 investigates the links between ASB and private renting at a property level in order to identify whether there is a direct link

Section 5 estimates the number of HMOS and Single Family private rented households in order to build the case for an extension to Discretionary Licensing

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[1] Extending mandatory licensing of Houses in Multiple Occupation - A Government Response Document. Department for Communities and Local Government October 2016.

Section 6 investigates the options for an extension to Discretionary Licensing in Tower Hamlets

Section 7: Conclusions

Annexes provide various tables which were used in support of this report.

2. Identification of private rented properties

2.1 Scoping the problem

In the eyes of the legislation it is necessary to link cause and effect – for example, it should be possible to identify an event such as noise disturbance to an exact address. Secondly that address and similar ones to it are part of general problem which is characterised by certain attributes of that address such as whether it is privately rented or not.

The problem is that there is no specific, comprehensive or up to date information with which to verify whether any individual property is owner occupied or privately rented. All that is known with certainty is whether a property is in the private sector, part of the council stock or social housing.

In addition to this problem it is also unclear whether a property is an HMO or being rented by a single family or an owner occupier. This is important because it may affect the type of licence required and apart from the electoral register there is no information on occupancy at a property level.

Both privately owned and social tenure property may experience negative housing conditions and be a source of ASB. A key difficulty is that there is only very partial information about whether a property is private rented or not but social tenure is easier to identify and there are usually stricter controls in place either by the Council or Housing Associations.

HMOs can be difficult to identify accurately since their designation depends on the relationship between the occupants living in the property and this can be subject to change over time. Accurate assessment requires an inspection of the property and discussions with the occupants. With thousands of properties affected this is a potentially very slow and costly process.

ONS information about the size of the PRS is partial and also arguably out of date. The Census provides information at ward level but even if we find that the PRS and ASB are correlated it does not necessarily imply causation for the reasons given above. If ASB can be linked to actual properties in the PRS then the case is stronger especially if ASB is less common in other tenancies – especially owner occupation.

The approach adopted therefore combines published data as far down as ward level with the Council's own administrative data sources at a household level. Aside from the examples above we also benefited from having access to benefit households (Housing Benefit and Council Tax Reduction Scheme), Council Tax records, current HMO stock, Electoral Register, and so on. These are used primarily to help inform whether a property is likely to be private rented or not and this approach is now

described.

2.2 Method and approach

We needed to determine whether a property is owner occupied or social housing or part of the known PRS e.g. licensed HMOs, known bedsits, student accommodation. We removed social housing and any properties such as businesses, or care homes and other residential institutions.

We flagged properties that were already licensed or were known student accommodation (but not halls of residence)[2]. For properties of unknown tenancy we used a model to identify PRS properties using risk factors such as Housing Benefit or Council Tax status, the number of adults per address and turnover.

In order to introduce Additional or Selective Licensing councils are required to establish a link between anti-social behaviour on the one hand and private rented sector on the other. This means that as well as identifying whether a property is private rented or not one needs to provide evidence that links rental status to ASB which is methodologically challenging. Once this is done, the way is open to introduce the scheme with rented properties and their landlords self-identifying as they apply for licences.

For the reasons given, our methodology is property as well as area-based in which we use information from a range of sources to measure the likelihood of whether each individual private sector property is rented or not and if so whether it is an HMO or a single family unit. This has now been used in numerous local authority studies and has formed the basis for the consultation process for making the case and at the implementation stage.

The information gathered in this way is used to provide statistical profiles of similar properties in order to predict their rental status. The process involved linking current and historical data totalling tens of thousands of records taken from sources such as Council Tax, Housing and Council Tax Benefit systems and the Electoral Roll to individual properties included in the current Local Land and Property Gazetteer (LLPG) to identify their probable rental status based on a sample of known rental profiles.

An obvious question is how accurate is this approach? The factors themselves such as benefit status and occupant turnover are generic and could apply to any area. However, because the estimates are based on a statistical analysis they do not give a precise answer as to whether an individual property is rented or not or an exact classification in terms of whether it is an HMO or a single family household, but a

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[2] There are 5,517 UPRNs with a student exemption code for Council Tax purposes; 2,494 of these have been identified as a private UPRN. Of the remaining 3,023, 322 are social housing and the rest are residential institutions or student 'cluster' flats.

'risk score' based on the number of risk factors applying to individual properties.

The practical value of this information is twofold: firstly is that it is possible to determine whether properties with a high likelihood of being rented can be associated or correlated directly with ASB incidents (something that would not otherwise be possible); secondly the information can be used to filter properties at the implementation stage of licensing (e.g. visiting non-compliant properties and checking their rental status).

We use the information on rented status produced in this way in conjunction with separately sourced information on ASB (see next section). As will be seen, we use ASB data in three ways: 1. To analyse ASB trends over time including signs of year on year growth or seasonality; 2. analyses at small area level up to ward size to see if or whether ASB and the rental sector are correlated geographically; 3. where data permit, an analyses of ASB at property level to demonstrate probable direct causality.

2.3 Demographic trends

As with many other London boroughs the amount of change in tenureship in Tower Hamlets over the last decade is striking. Census data from 2001 and 2011, although now somewhat out of date, is the only official data source on tenure. Figures show that the number of households grew by 28.2% from 80,531 units to 103,268 units over the period but the evidence is that this figure is now much higher and has grown since our last report.

Data on immigration shows that there has been a net influx of international migrants for at least the last 10 years (see Annex A). In contrast, net influxes of internal migrants (i.e. from within the UK) has been negative for most of that time. The GLA estimates that the population currently stands at 278k but based on their estimates this is forecast to grow another 27% by 2025 to 352k and to 397k by 2040, an increase of 47% over 2014. This trend points to an increasingly diverse multi-national and multi-ethnic population.

The most noticeable difference between 2001 and 2011 has been the fall in the relative share of social housing from 51% to 39% and the relative increase in the PRS from 18% to 33% of all residential properties over the period. This strongly indicates that the private rented sector will play an increasing major role in accommodating this number of people. GLA data, for example, show that Tower Hamlets has the third largest private rented sector in London after Newham and Westminster.

Another change has been to the ward structure with the addition of three new wards (Figure 1 refers). Tenureship based on Census data from 2011 has consequently been re-estimated. Of course since 2011 there has been further change and growth in which the three wards accounting for the highest percentage of privately rented properties are Canary Wharf, Blackwell and Cubitt Town, and

Island Gardens all of which are in the south of the borough on the Isle of Dogs (see Annex B for ward breakdown).

Based on our latest figures using the Local Land and Property Gazetteer (LLPG) we estimate the number of dwellings to have increased to about 127k of which 81k are privately owned, although it is not known how many of these are vacant or on short-lets. These changes therefore necessitate a re-calibration of the private rented sector and the surrounding analysis on ASB; however, it is clear from our work that private renting is not confined to specific wards but is intermingled over wide areas of the borough.

Figure 1: Ward map of Tower Hamlets based on new ward layout

3. **Trends and patterns in anti-social behaviour**

This section analyses patterns and trends in anti-social behaviour (ASB) and considers to what extent they are correlated with private renting at ward level. Tower Hamlets wards are ranked on eight different ASB indicators to determine which wards are most/least affected and which indicators are most/least correlated with the private rented sector.

3.1 Data availability

According to DCLG guidance on Discretionary Licensing ASB is deemed to occur when it falls into one of three categories[3]:

• **Crime**: Tenants not respecting the property in which they live, including vandalism, criminal damage, and robbery/theft or car crime

• **Nuisance neighbours**: Noise, nuisance behaviour, animal-related problems, vehicle-related nuisance etc.

• **Environmental crime**: Graffiti, fly-posting, fly-tipping, litter around a property, untidy front gardens, dilapidations

Data sets provided to us and analysed included the following categories and sources:

− Complaints notices in the period April 2014 to March 2017 (1,384 cases) covering various notices to property owners such as requiring property information, improvement notices, prohibition orders or hazard awareness

− Miscellaneous complaints from April 2014 to March 2017 (3,384 cases) covering a wide range of issues including noise, begging, criminal damage, threatening and other criminal behaviour.

− Fly tipping reports from January 2013 to September 2016 (25,195 cases) covering all types of commercial, household and green and other waste based on Veolia raw data

− Missed food and waste collections from January 2013 to October 2016 (1,749 cases)

− Graffiti occurrences Jan 2013 to Oct 2016 (846 cases)

− Housing complaints from April 2014 to Mar 2017 (2,811 cases) covering reports of hazards, licensing enquiries and general advice

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[3] Approval steps for Additional and Selective licensing designations in England (page 10): http://webarchive.nationalarchives.gov.uk/20120919132719/http://www.communities.gov.uk/documents/housing/pdf/154091.pdf

- Noise complaints April 2014 to March 2017 (18,083 cases) including domestic, commercial and construction categories

- Pest control call outs from April 2014 to April 2017 (12,010 cases). No details available of particular types of pests. Tends to be strongly seasonal but known to be strongly seasonal

- Tower Hamlets Enforcement Officer System (THEOs) from April 2014 to September 2016 (11,638 cases). THEO data are collated by street wardens. Incident types vary with less emphasis on violent or drug related behaviour and more on litter fly tipping etc.

- Waste enforcement from Jan 2013 to September 2016 (5,798 cases)

We analysed all ASB indicators for which we had data. Note that there may be some overlap between sources in cases where incidents were reported through more than one channel although the degree of occurrence is indeterminate.

Table 1 shows the monthly rates activity plus information concerning the pattern and trend over time. In several cases, occurrences are seasonal albeit occurring at different times of year. In other cases we found no particular pattern.

We also found that trends were increasing in three cases, slightly decreasing in four cases and level in two cases. There was no trend information for pest control although we infer from earlier work that incidents are level on average but also very summer oriented.

ASB indicator	Rate per month	Seasonality	Trend
Complaints notices	36	Random	Slightly downward
General complaints	94	Summer	Level
Fly-tipping	560	Summer	Slightly increasing
Missed food and waste collections	38	Summer	Slightly downward
Graffiti	18	Random	Level
Housing complaints	78	Winter	Increasing
Noise complaints	502	Summer	Slightly downward
Pest control	325	Summer	No information
Tower Hamlets Enforcement Officer System	323	Random	Slightly downward
Waste enforcement	126	Summer	Increasing

Table 1: *Monthly rates of ASB based on 10 indicators, including pattern and trend*
(Note: Pest control data lacked monthly counts or information on types of pest)

3.2 Trends

Seasonality is a strong feature in most categories of ASB in which activity tends to peak in the summer months. An exception is housing complaints especially hazards such as damp and mould, hygiene and other issues.

The only data not showing any particular seasonality are reports emanating from the Tower Hamlets Enforcement Officer System. The main categories are now briefly summarised and the content analysed.

(i)   General ASB

Figure 2 shows the general pattern of ASB from April 2014 to March 2017 with an average of around 100 reported incidents per month and a notable tendency for incidents to peak in the summer months especially in July and August. The two largest categories of ASB are general nuisance including threatening behaviour accounting for 33% of the total and noise complaints accounting for 30%.

Other categories are drug or alcohol related incidents (17.5%), loitering, begging or rough sleeping (14.3%), criminal damage and vandalism (2.2%) and other (3.5%). These data, however, collated by Tower Hamlets Homes do not cover the full spectrum of wards and may therefore only be indicative of ASB activity in the wider borough.
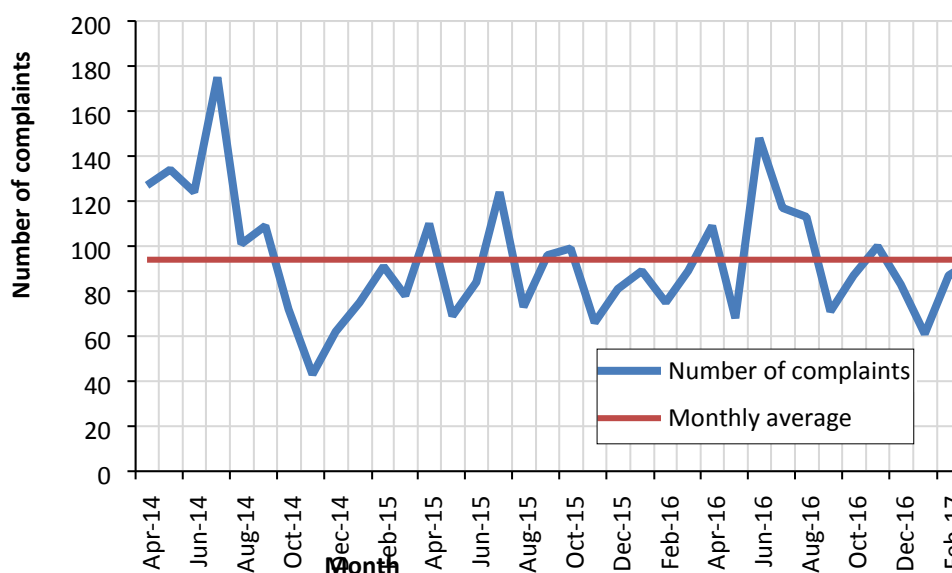

Figure 2: General monthly levels of ASB from April 2014 to March 2017

(ii)   Fly-tipping

Figure 3 shows reported incidents of fly-tipping from January 2013 to September 2016. The data reveal a clear upward trend relative to the monthly average of nearly 600 incidents a month with activity peaking in spring and summer each year.

Of the total household waste followed by commercial waste are the main culprits accounting for 53% and 34% of the total respectively. Minor categories include green waste (9.4%), vehicle or white goods (2.2%) and other (1.6%)
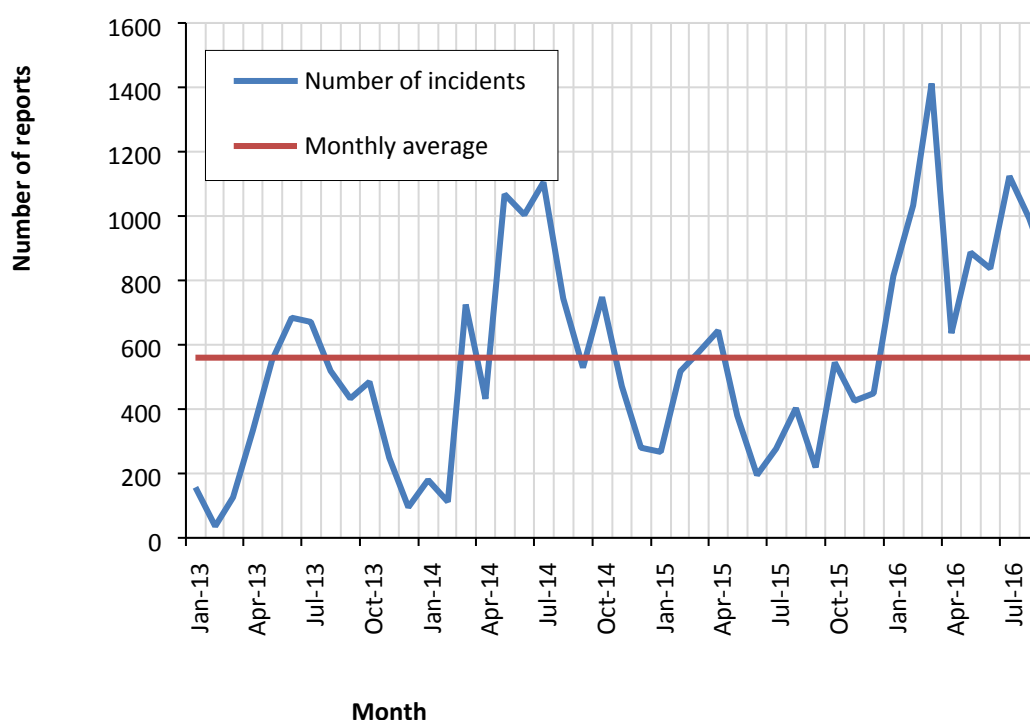

Figure 3: Reported monthly levels of fly tipping from January2013 to September 2016

(iii)   Food waste

Figure 4 shows the pattern of missed food waste collections. Note that missed collections are not necessarily the responsibility of the collection service but also failure of customers to deposit their waste at the time of the collection.

On average there are about 40 missed collections a month but this can vary enormously from as few as 10 to over 80. The pattern of missed collections shows a strong seasonal pattern with marked summer peaks.
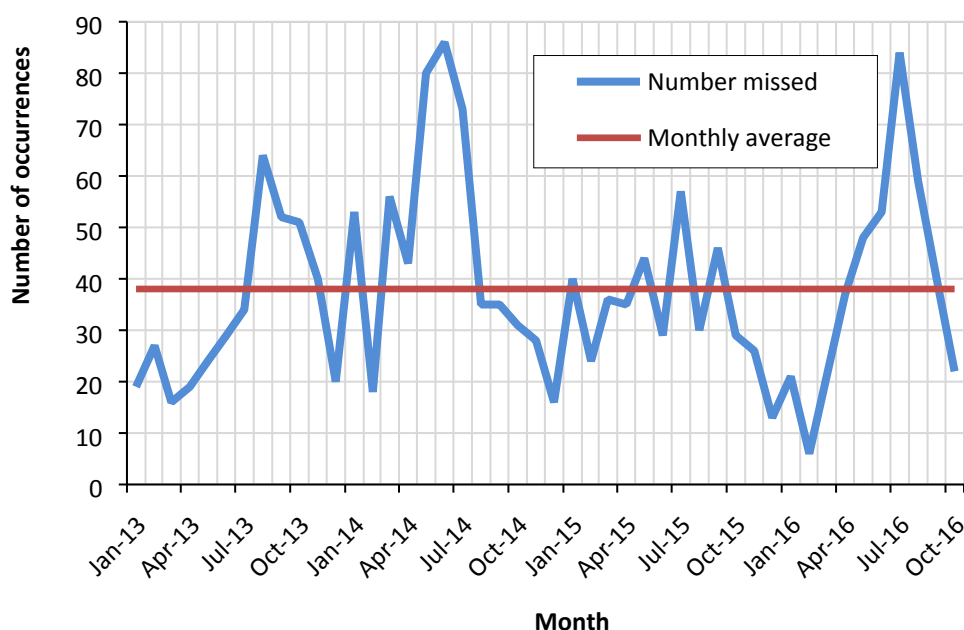
Figure 4: *Missed food waste collections from January 2013to October 2016*

(iv)   Noise complaints

Figure 5 shows the number of reported noise incidents from April 2014 to March 2017 which average about 500 per month. By far the largest source of noise complaints is loud music (56%) followed by construction activities (13.6%). Vehicle and other domestic related complaints only account for 6.1% and 7.5% while noise from alarms only 3.6% of the total. The pattern is strongly seasonal peaking in the summer months

Figure 5: Noise complaints from April 2014 to March 2017

(v)   Housing complaints

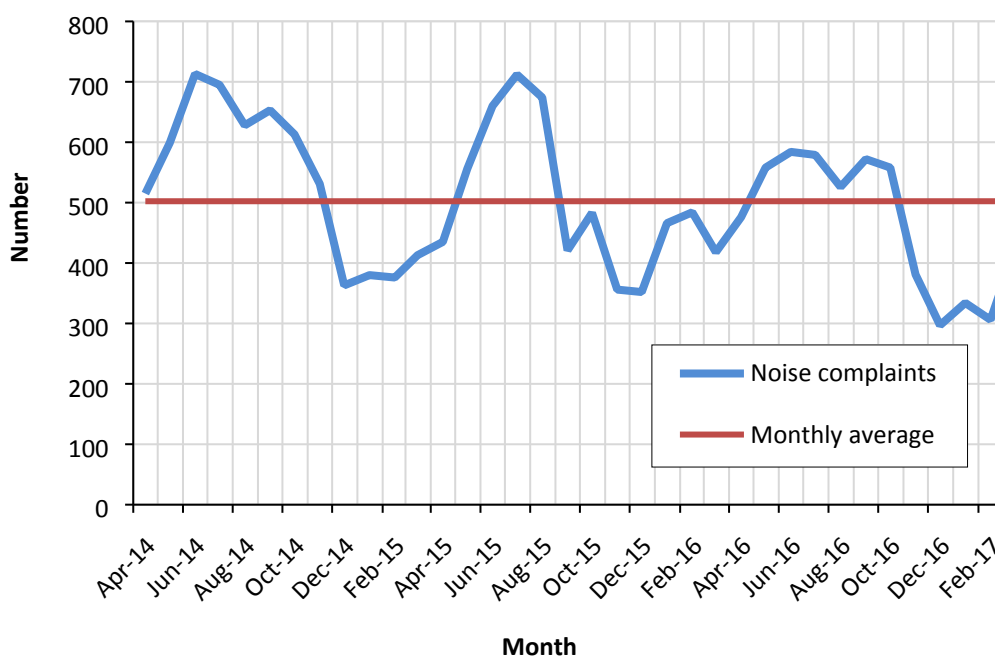Figure 6 shows the monthly number of housing complaints from April 2014 to March 2017 which average around 80 per month. As is seen there is a tendency for these to peak in the autumn and winter months. The largest category of complaints by far is hazards accounting for 56% of all complaints.

Hazards types are highly variable but prominent among them are reports of mould and damp. The next largest source of complaint are licensing related although this category can include advice. The nuisance, filth and overcrowding category accounts for 6.7% of the total with the remaining 26% of complaints covering a miscellaneous range of issues.
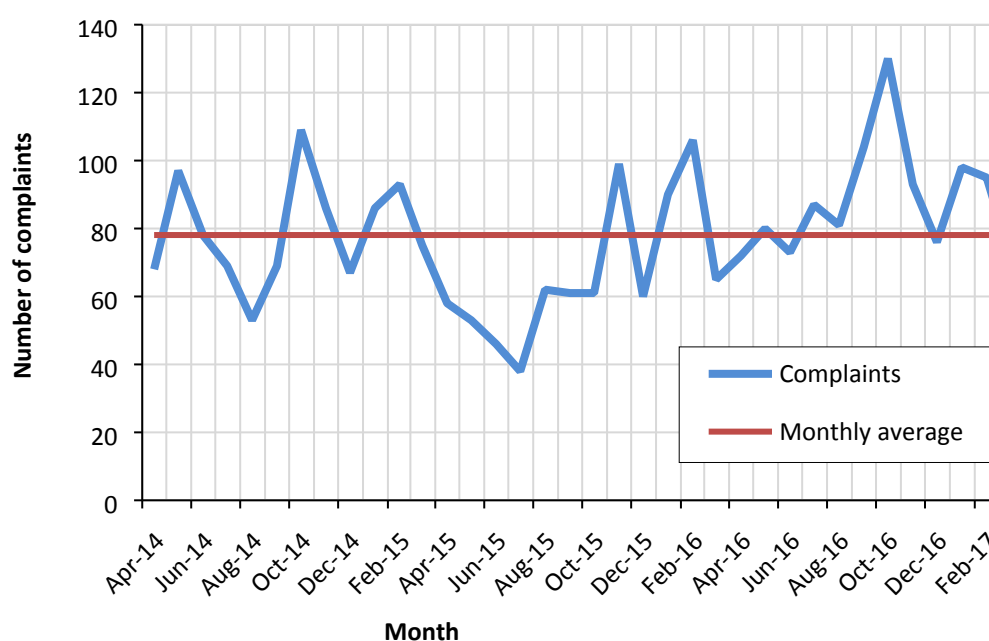
Figure 6: Housing complaints from April 2014 to March 2017

(vi)   Tower Hamlets Enforcement Officer System (THEO)

Figure 7 shows the monthly number of incidents from April 2014 to March 2017 which average over 300 per month. Unlike other ASB categories, there is no particular seasonality in the data although the overall trend appears to be downward.

The largest category of incidents is drug and alcohol related accounting for 23% of the total. The remaining categories are related to litter (11.7%), loitering (11.7%) or public nuisance (12.7%)
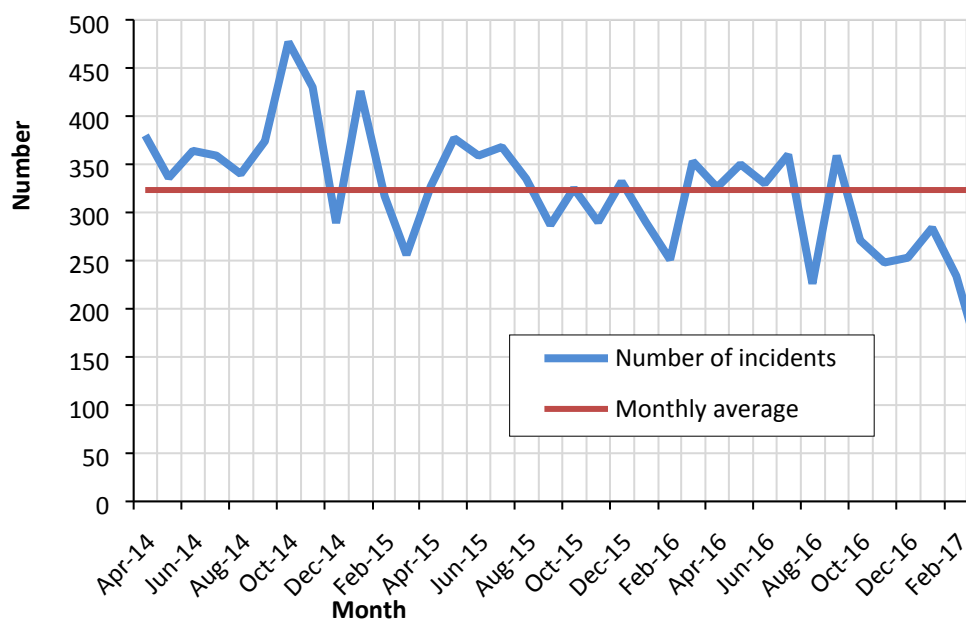
Figure 7: Noise complaints from April 2014 to March 2017

(vii)   <u>Waste</u>

Figure 8 shows the pattern and trend in fixed penalty notices for waste disposal between January 2013 and September 2016 which average about 130 per month. As is seen the monthly pattern, although highly variable, is increasing and tending to indicate higher activity in the spring and summer months.

Figure 8: Waste fixed penalty notices from January 2013 to September 2016

3.3 Relationship between ASB and private rented sector at ward level
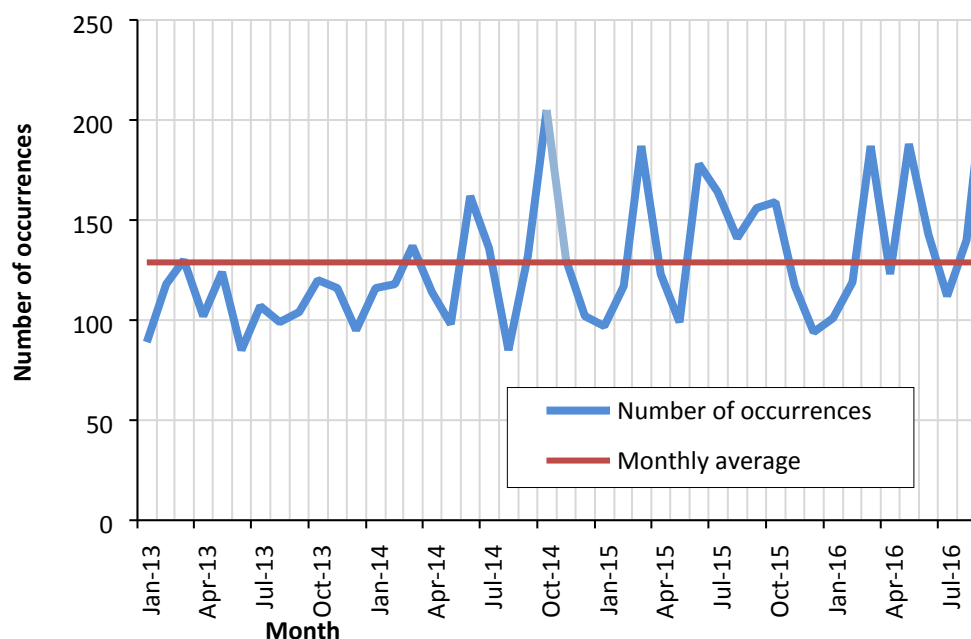
We now compare each of the indicators of ASB with levels of private renting at ward level. Table 2 ranks each ward according to the estimated size of the Private rented sector (column 1) from high to low (1 being the highest ranked ward and 20 the lowest). Each of the ensuing nine indicators is ranked similarly by ward. For example, the second column shows that housing notices are highest in Weavers ward and lowest in Poplar ward.

A final column provides an overall ranking based on all nine indicators in order to derive an overall assessment of conditions in each ward. It will be noticed that some previously listed indicators such as graffiti is omitted from the columns of indicators. This is because the data neither contained a location nor a ward identifier.

The bottom rows of Table 2 are correlation measures that range from -1 (negatively correlated) to +1 (positively correlated) which indicate the degree of association between the ranked information based on the risk factors with the estimated size of the private rented sector in each ward.[4]

The results indicate that some indicators are positively associated with the size of the private rented sector more than others. The values which are most positively correlated with the ASB indicators are noise complaints (+0.48), housing complaints (+0.27), and housing notices (+0.20).

The following additional points can be made:

- Based on the 'rank of ranks' (see final column) there is a +0.23 correlation between the size of the private rented sector and all nine indicators combined. This suggests that the PRS and ASB are positively correlated in general.

- However, there is not a perfect match between private renting and ASB. For example, the second highest ranked ward Spitalfields and Banglatown scores positively on seven of the indicators and negatively on two. This suggests that different wards face different problems depending on ASB category.

- Wards in the south of the borough generally rank lower in ASB terms on most indictors but some problems are contrary to pattern such as fly-tipping in Limehouse ward, garden and food waste in Island Gardens and noise complaints in Canary Wharf.

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[4] The correlation coefficient used is based on Spearman's rank coefficient which is designed for use with ranked data. $\rho = 1 - \dfrac{6D}{n(n^2-1)}$, where D is the sum of the squared differences in ranks between private renting and ASB caetgory and n is the number of wards.

No.	Ward	Rank PRS	Housing notices	General complaints	Fly-tipping	Garden and food waste	Housing complaints	Noise complaints	Pest control	THEOS	Waste enforcement	Ward rank
1	Bethnal Green Ward	9	4	2	18	3	5	5	6	6	6	5
2	Blackwall & Cubitt Town Ward	2	13	18	20	11	10	13	16	19	17	17
3	Bow East Ward	7	18	13	12	4	7	6	15	13	7	12
4	Bow West Ward	12	10	9	14	1	3	8	12	8	8	8
5	Bromley North Ward	16	17	16	17	6	17	15	7	16	18	15
6	Bromley South Ward	19	14	15	19	17	16	16	11	20	15	19
7	Canary Wharf Ward	1	14	17	10	14	15	9	17	18	13	14
8	Island Gardens Ward	3	8	18	11	2	13	17	17	17	19	13
9	Lansbury Ward	14	3	18	2	5	2	10	3	11	11	6
10	Limehouse Ward	13	20	12	9	19	20	19	19	12	20	20
11	Mile End Ward	11	10	14	5	12	4	7	4	9	10	9
12	Poplar Ward	20	19	8	13	19	18	20	14	15	15	18
13	Shadwell Ward	15	5	4	8	14	8	14	8	5	5	7
14	Spitalfields & Banglatown Ward	8	1	10	4	13	9	1	2	1	1	2
15	St. Dunstan's Ward	18	8	7	7	6	14	11	13	14	12	10
16	St. Katharine's & Wapping Ward	6	16	11	16	16	19	12	20	7	14	16
17	St. Peter's Ward	5	7	3	3	9	5	2	1	4	4	1
18	Stepney Green Ward	17	12	5	15	8	12	18	5	10	9	11
19	Weavers Ward	10	6	1	6	9	11	2	10	3	3	4
20	Whitechapel Ward	4	2	6	1	18	1	4	9	2	2	3
	Correl		0.20	-0.19	0.14	0.08	0.27	0.48	-0.22	0.14	0.15	0.23

Table 2: *Ward table comparing the size of the Private rented sector with housing conditions and ASB based on rank: Note (1) Private rented sector ranking based on high risk PRS analysis (Key: 1 = highest, 20=lowest).*
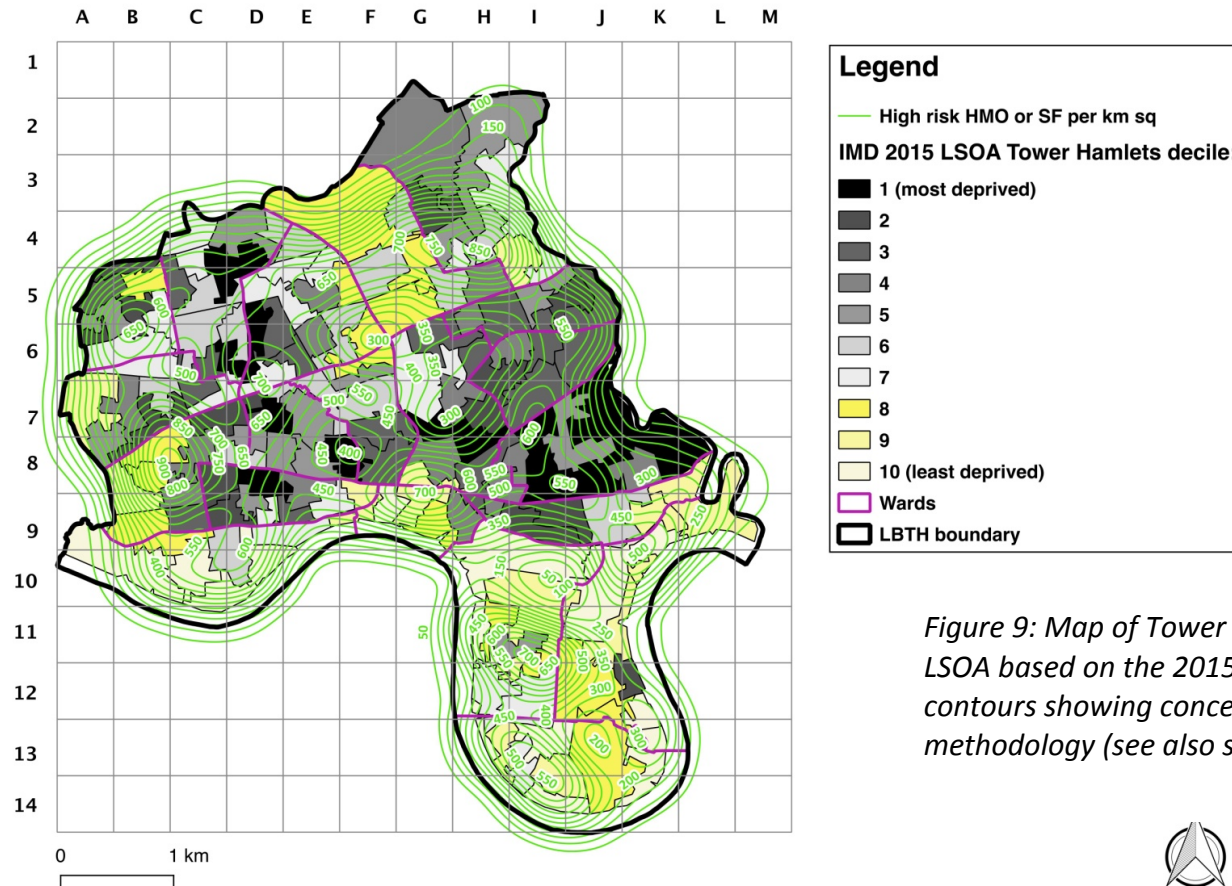
Figure 9: Map of Tower Hamlets showing relative deprivation by LSOA based on the 2015 Index of Multiple Deprivation overlaid with contours showing concentrations of private renting based on our methodology (see also section 6)

- The most affected wards are located in the northwest corner of Tower Hamlets. These are St Peter's, Spitalfields & Banglatown, Whitechapel ward, Weavers, Bethnal Green but also Lansbury in the east (see Figure 1).

- Wards with the largest number of private rented sector properties tend to be in the larger and more recently developed wards in Docklands. We also find a strong correlation between the area of a ward and the size of the private rented sector.

In summary, the analysis supports the case that there is a link between ASB and private renting but that the issues affecting each ward may differ. Some wards especially those ranked highest in the table such as St Peters or Whitechapel incur a range of issues but if properties do not have gardens then obviously garden waste is not one of them.

3.4 Relationship between private renting and deprivation

The criteria for the introduction of discretionary licensing have now been extended to include areas experiencing poor property conditions, influxes of migration, high level of deprivation. This widening means that more evidence can be brought to bear to justify its implementation.

Tower Hamlets is 10th out of 326 boroughs in England based on the 2015 Index of Multiple deprivation or IMD, having slightly improved its rank by three places since 2010. At the neighbourhood level, Tower Hamlets has also improved its relative position from 38th to 24th, based on the proportion of areas in the most deprived 10% nationally.

However, these rankings measure relative deprivation and Tower Hamlets remains one of the most deprived of any district in the country in absolute terms. Nevertheless, one reason why the IMD must be viewed with caution is that the regeneration in the south of the borough has altered the profile significantly.

This has several consequences because private renting in the north of the borough is more likely to be in old builds whereas in the regenerated south of the borough it is more likely to be in new developments. Qualitatively speaking, this means that any ASB related issues are likely to be of a different nature – for example, there will be fewer dilapidations but perhaps more noise complaints.

In a later section, we describe our methodology for determining private rental status; however, on the question of whether deprivation and private renting are closely related we refer to the map in Figure 9. This shows relative deprivation by Lower Super Output Area (LSOA) and ward in which contours of private renting have been overlaid.

It shows that the most deprived area lie between rows one and nine of the map and that the most deprived of all LSOAs fall in columns C and D in wards such as Stepney

and Bethnal Green and St Peters and in columns H to K, particularly those LSOAs bordering on Lansbury ward (e.g. cell J8).

The contours by contrast show concentrations of private renting occurring throughout the Borough. The most interesting point here is that private renting is widespread in roughly equal measure but also tends to avoid some of the most deprived areas especially towards the east.

A striking conclusion therefore is that the case for area based Selective Licensing is likely to be localised and closely proximate to the existing three selectively licensed wards of Whitechapel, Weavers, Spitalfields and Banglatown. From the map in Figure 9 we can see that these are also among the most deprived wards.

Based on Table 2 these wards include most notably St Peters (ranked highest on ASB and 5th in terms of PRS) and Bethnal Green ward (ranked 5th and 9th). Lansbury which is ranked 6th on ASB is geographically to the east of the Borough and only ranked 14th in terms of PRS, and so is a less likely candidate.

Note that the rules for Selective Licensing are that the areas covered should not account for more than 20% of the private rented stock or 20% of the Borough area otherwise any proposal to extend a scheme (e.g. to the whole borough) must go to the Secretary of State for approval. In section 6 we return to this issue.

The case for borough-wide Additional Licensing is less related to whether or not there is more or less ASB in a locality but to the experiences of individual properties – in this case whether there are housing management issues or associated problems which are related to a particular type of tenancy rather than to the negative externalities of an area.

In the next section, we analyse these issues at a property level where our purpose is to show that it is the tenure that is the 'problem' and not necessarily the area in which a property is located.

4. ASB and private renting at a property level

4.1   Risk ladders

In this section we demonstrate that private renting is directly linked to addressable types of ASB at a property level. Using a more accurate approach than in the previous section, it avoids averaging across highly differentiated areas of mixed tenancy. However, it is important to remember that there are no data on whether a property is private rented or not in which case we need to use different proxies to arrive at an answer.

This method used is known as a 'risk ladder'. This is a table that enumerates all possible combinations of risk factors, quantifies the number of households exposed to each risk factor combination, according to the suspected or known rental status of a property. Using the risk ladder we can quantify the level of predictive association and hence statistical significance of each risk factor.

In general, we find that typical risk factors including poor housing conditions, benefit status or higher than average occupancy levels are predictive of noise complaints, untidy gardens etc., but the same risk factors are also predictive of private renting especially where several risk factors occur together at the same address.

This information is important since it can not only furnish evidence that ASB and private renting are directly linked but also result in more targeted and joined up action to improve housing conditions, and also provide evidence of the extent of different problems by quantifying the number of properties affected and the risks they face.

We base our analysis on 81.5k privately owned properties in the borough including the already privately licensed properties with Mandatory or Selective licenses. In this way we are able to tell whether licensed properties are more likely to be vulnerable or at risk to poor housing conditions, noise complaints and so on than properties that do not share these risk factors.

As the previous section showed there is an array of possible risk factors but we are only interested in those that apply to an address and not to an area in order to link causation. In proceeding, different risk factors were selected and reduced to a smaller group. This group included those risk factors which were certain or likely to be associated with private renting, gave a measure of housing conditions and/or nuisance as well as being address specific.

The primary risk factors investigated were:

- Any Council reported noise complaint at an address
- Three or more adults at an address
- Any existing licence – Mandatory or Selective

- Any housing notice served – for example hazards
- Housing Benefit at address
- Waste fixed penalty notices

In the first example of a risk ladder we seek to quantify the factors that are associated with the serving housing notices under the 2004 Housing Act. The most predictive risk factors in this case were found to be whether the property already held a selective or mandatory licence, if the property was in receipt of Housing Benefit, if there had been at least one noise complaint, and finally if there were three or more adults at the address.

4.2 Results

Column two of Table 3 lists the number of privately owned UPRNs exposed in each risk category; the next four columns show whether or not a risk factor applies in that risk category (denoted by 'Y'). There are 16 sub-categories altogether as defined by the presence or absence of each risk factor. The final column shows the percentage of UPRNs in each risk category that has been served a housing notice (1,209 in total over the period or analysis).

The final column ranks each risk category from high to low according to percentage of privately rented properties in each row. At the foot of each column is the total number of occurrences of each risk factor where linkage to an address has been possible, so for example of the 81,536 properties in the private sector with valid UPRNs, 2,841 held a licence, 5,395 were in receipt of Housing Benefit, 2,781 had had at least one reported noise complaint, and 9,081 contained three or more adults.

The average level of notice served is shown in the bottom right hand corner at 1.5% of all private properties. The results show that properties with licences receiving Housing Benefit with 3 or more adults at the address were most likely to have been served notices (row 1). In row 14 where no factors apply the risk reduces to 1%. In rows 15 and 16 there are less than five occurrences of UPRNs with these risk factor combinations. With such a small sample any results would be highly misleading and so are excluded.

Further analysis shows that a UPRN is 3.2 times more likely to have been served a notice if it is licensed, 3 times more likely if it is in receipt of Housing Benefit, 2.9 times if it has been subject to a noise complaint and 1.7 times more likely if there are 3 or more adults at the address. These risk factors are multiplicative and so if all four factors apply then the risk of being served a notice increases 47 times (=3.2 x 3 x 2.9 x 1.7) as compared with a property where none of these risk factors applied.

Note that the model underlying the table is reasonably robust as can be seen in Figure 10 which plots the predicted risk against the observed risk – the given risk factors accounting for nearly 80% of the variation in observed risk (R-squared = 0.7978).

Category	Number In Category	Any Licence	Housing Benefit	Noise	3+ Adults At Address	Housing Complaints (Hazards)
1	34	Y	Y		Y	11.8
2	61	Y		Y	Y	11.5
3	39		Y	Y	Y	10.3
4	308	Y			Y	9.1
5	142	Y	Y			7.7
6	141	Y		Y		6.4
7	504			Y	Y	4.8
8	1,873			Y		3.8
9	4,134		Y			3.7
10	883		Y		Y	3.7
11	2,147	Y				3.3
12	155		Y	Y		3.2
13	7,249				Y	1.9
14	63,858					1.0
15	note 1	Y	Y	Y		0.0
16	note 1	Y	Y	Y	Y	0.0
total	81,536	2,841	5,395	2,781	9,081	1.5

Table 3: Risk ladder showing the incidence of housing complaints based on the given risk factors

In the second and subsequent example of a risk ladder, we sought to show that ASB was more likely in the presence of some factors than others and that if these risk factors were indicative of private renting then a direct link between these risk factors and ASB would be more likely. In this case we looked at the probabilities of noise complaints against addresses with different risk factor combinations.

In this case, after reducing the number of risk factors to just four of the most predictive, we found that noise complaints were 25% or more likely in properties which had received fixed penalty waste notices, had 3 or more adults at the address, or had been served a housing notice or had a licence. If all four factors applied then the risk of a noise complaint against that address would be 30 times greater than the risk for a property that had none of these risk factors.

So what can be learnt from these examples? Our main conclusions are that the risk factors confirm what is generally suspected, namely those properties which are served notices are more likely to be in receipt of Housing Benefit, have had noise complaints against them, or have a licence than those that have not. Equally properties most likely to commit ASB are likely to be in poor condition and possibly unsafe and be generally unsightly.

Note, however, this does not necessarily spell the full extent of private renting or the housing conditions in Tower Hamlets, since there will be good private rented

properties as well as less than good or even bad private rented properties but it does provide some of the evidence needed to support the introduction of discretionary licensing in the private sector. In the next section we seek to estimate the total number of private rented properties in Tower Hamlets using a different approach.
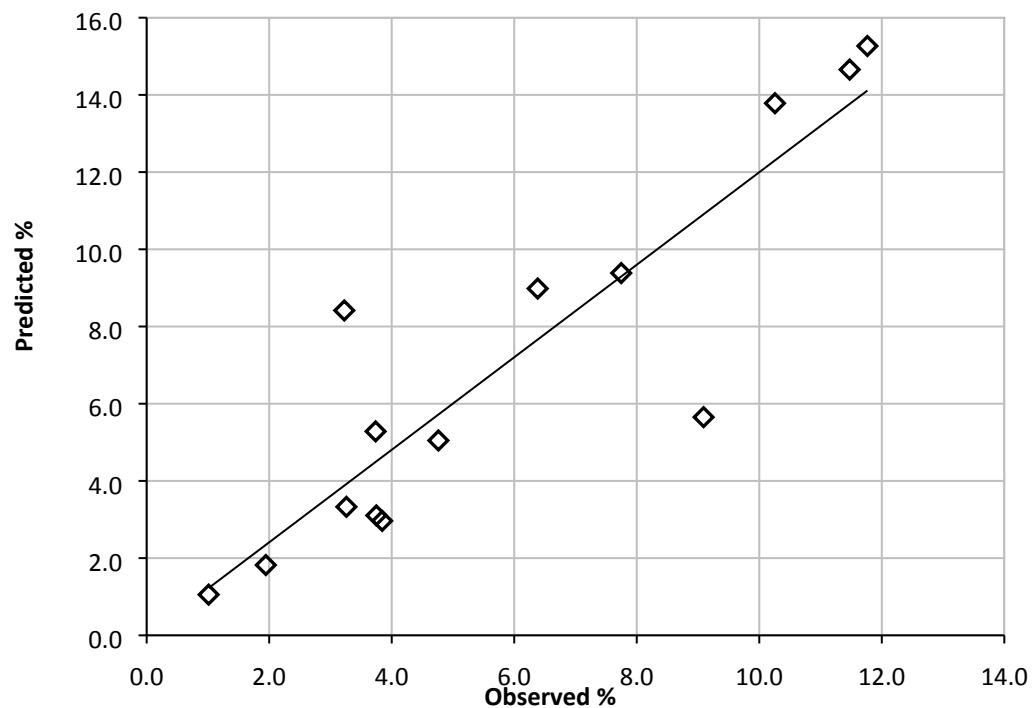

Figure 10: Predicted versus observed percentage of properties in each risk group served with housing notices

5. Private renting by rental type and its association with ASB

As previously stated, there are no complete data on which properties among private sector housing are confirmed as rented or not although some will self-identify if for example a Council Tax student discount applies. There is aggregate data down to output area level based on the 2011 census but this must be now considered out of date. GLA estimates put the total number at 34,600 in 2014, but neither source identifies individual properties or whether the property is an HMO or single family household.

In our previous work for Tower Hamlets, we described a model for estimating the size of the private rented sector which is based on a statistical model that uses an extension of the risk analysis presented in the previous section of this report. In this section, we adopt the same approach in which each privately owned property is risk-rated according to the presence or absence of risk factors such as whether someone is claiming Housing Benefit, the turnover of occupants and the number of adults at an address.

An advantage of this method is that it is general and can be used to split rental types into either HMOs or single family private rented households. By separating the two types we can identify whether for example HMOs are better maintained than single family properties, whether levels of ASB are higher or not in single family rented properties and so on. Note that because it is a probabilistic method it can never be completely accurate. There are also overlaps to consider in which a property could be identified as either an HMO or a single family rented household with equal certainty.

The London Borough of Newham, the furthest progressed borough in terms of Discretionary Licensing, has been running an Additional and Selective Licensing Scheme since January 2013. Although no two areas are exactly alike, Tower Hamlets shares certain similarities including a large and growing previously unregulated private rented sector, poor housing conditions in some areas, a high turnover of residents, coupled with an increasing population.

Using evidence from home visits, Newham selected the most predictive risk factors for each rental type. These factors are generic and transferrable to other local authorities and so it was possible to replicate the analysis in Tower Hamlets for the purposes of this study. The results were then combined in a database of all private sector properties by assigning a risk score to each property. Properties with the highest likelihood of rental status are then flagged as high risk accordingly.

5.1 Risk analysis

For each risk factor the odds were calculated using the model. Four risk factors with the best predictive power were used giving rise to 16 possible risk factor combinations per address for each outcome. Odds schedules were then tabulated – one for HMOs and the other for single family rented properties. Both are analysed and explained further in the results section below.

(a) <u>HMOs</u>

The risk factors used for identifying HMOs are as follows:

• No current CTRS (Council Tax Reduction Scheme) recipient at address: A property not receiving CTRS is estimated to be 3.1 (1.1 to 9.1, p=95%) times more likely to be HMO status than a property receiving CTRS. A possible explanation for this is that properties receiving CTRS tend to be older person households or owner occupied rather than a landlord.

• Two or more changes in the Council Tax liable account between 2015 and 2016: This is proxy for ownership turnover (normally we would use a measure based on change in ownership, but this was not available to us). This measure is 1.1 (0.48 to 2.6, p=95%) times more likely to be a HMO.

• Any change in electoral roll registrants in last 12 months: Properties in which the surnames of at least one current registrant at an address were not present the previous year were estimated to be 2.1 (0.9 to 4.5, p=95%) times more likely to be HMOs than properties where there had been no changes.

• Three or more surnames on the Electoral Roll at an address. Properties with more surnames registered at an address were estimated to be 6.9 (2.9 to 16.5, p=95%) times more likely to be HMOs than properties with three or fewer. This is the most predictive of all the risk factors selected

Table 4 shows the number and proportion of privately owned properties impacted by each risk factor combination ranked from highest to lowest risk. The risk scores are obtained by multiplying the risk factor weights at the foot of the table under each risk factor. There are 81,536 properties in all.

A risk score of say 23.6 in row 3 means for example that the outcome is 23.6 times more likely than if none of the risk factors were present as in row 16. Column totals show the number of occurrences of each risk factor and row totals the number of properties exposed to each risk factor.

Based on the first 9 rows of Table 4 there are 18,202 properties which we define as being at higher likelihood of being HMOs. With one exception all properties in these rows have more than three adults living there totalling 9,081 properties. All remaining properties in rows 10 to 16 totalling 63,334 are classed as 'low risk' HMOs.

Potential for Extension of Discretionary Licensing

As an example of the risk assessment process, a property in row 1 in which 2,647 properties are identified as having all four risk factors is estimated as being nearly 48.8 times more likely to be an HMO than one in row 16 which has none of the given risk factors and comprises 2,887 properties. The value 48.8 is obtained by multiplying the figure at the foot of each risk factor column together, each figure being the risk multiple for a particular risk factor – in this case 3.06 x 1.11 x 2.07 x 6.92 = 48.8.

Comparing high risk HMOs in rows 1 to 9 with low risk HMOs in 10 to 16 we found that high risk properties were 2 times more likely to have received housing notices, 1.4 times more likely to be the subject of housing complaints, 1.3 times more likely to have received noise complaints, and 1.12 times more likely to have been subject to waste enforcement.

Category	Private sector UPRN	% of properties	No Recipient of Council Tax Reduction Scheme	2 or more changes in CTL in last 12 months	Any change in ER in last 12 months	3 or more adults on ER 2017	Risk score
1	2,647	3.2	Y	Y	Y	Y	48.8
2	2,715	3.3	Y		Y	Y	43.8
3	625	0.8	Y	Y		Y	23.6
4	1,873	2.3	Y			Y	21.2
5	120	0.1		Y	Y	Y	15.9
6	391	0.5			Y	Y	14.3
7	65	0.1		Y		Y	7.7
8	9,121	11.2	Y	Y	Y		7.1
9	645	0.8				Y	6.9
10	13,080	16.0	Y		Y		6.3
11	8,368	10.3	Y	Y			3.4
12	37,569	46.1	Y				3.1
13	285	0.3		Y	Y		2.3
14	841	1.0			Y		2.1
15	304	0.4		Y			1.1
16	2,887	3.5					1.0
Total	81,536	100	75,998	21,535	29,200	9,081	

	Weights	3.06	1.11	2.07	6.92	

Table 4: Risk ladder showing the relative risk of a property being a private sector rented HMO

(a) <u>Single family private rented</u>

The risk factors for single family rented properties are as follows:

- No Council Tax Reduction Scheme (CTRS) recipient at address: A single family privately rented household is less likely to receive CTRS but more likely to receive Housing Benefit (see below). Not in receipt of CTRS increases the odds of private rented status 1.6 (0.9 to 4, p=95%) times.

- Two or more changes in Council Tax account in the last 12 months: This is proxy for ownership turnover. This measure is 1.6 (0.48 to 2.6, p=95%) times more likely to be single family rented.

- Two or less adults at address: Three or less adults at an address are predictive of single family status rather than HMO status. It is estimated that this factor increases the odds of single family private rented status 1.2 times (0.74 to 1.95, p=95%) times.

- Housing Benefit recipient at address: Private rented single family households can be partly identified by their Housing Benefit status. This is the strongest of the four predictive risk factors, increasing the odds of identification 4.7 (2.63 to 8.00, p =95%) times.

Table 5 shows the number and proportion of properties impacted by each risk factor combination and the comparable proportion of households in each category. The column to the right shows the relative risk or likelihood score with risk categories ranked from high to low. Column totals show the number of occurrences of each risk factor.

These are obtained by multiplying the risk factor weights at the foot of the table under each risk factor. A risk score of say 9.1 in row 3 means that the outcome is 9.1 times more likely than if none of the risk factors were present as in row 16. The contribution of each risk factor to the odds of private rental status is shown in the bottom row.

It is noteworthy that Housing Benefit has the most influence amongst these. It increases the odds of private rental status 4.65 times and appears in each of the top eight risk categories. Other risk factors make smaller contributions whilst the final column is obtained by multiplying the odds together to derive an overall risk score.

We define the first nine rows as being at highest risk of being single family private rented properties. Take for example row one in which 242 properties are exposed to all four risk factors. The risk that these properties are single family private rented households is 14.3 times the risk of the 558 properties in row 16 which are exposed to none of these risk factors. Based on rows one to nine, all of which receive housing

benefit or are exposed of three or more risk factors, the number of high risk properties is 19,528 out of a total possible number of 81,536.

Comparing high risk single family private rented properties in rows 1 to 9 with low risk properties in 10 to 16 we found that high risk properties were 2.6 times more likely to have been the subject of housing complaints, 1.8 times more likely to have received noise complaints, and 1.3 times more likely to have been contacted regarding garden waste. In the case of noise, 9.5% of high risk single family private rented properties were the subject of complaints.

category	Private sector UPRN	% of properties	No Recipient of Council Tax Reduction Scheme	2 or more changes in CTL in last 12 months	2 or less adults on ER 2017	HB at address	risk score
1	242	0.3	Y	Y	Y	Y	14.3
2	726	0.9	Y	Y		Y	11.9
3	99	0.1	Y		Y	Y	9.1
4	296	0.4		Y	Y	Y	8.8
5	495	0.6	Y			Y	7.6
6	2,444	3.0		Y		Y	7.3
7	193	0.2			Y	Y	5.6
8	14,133	17.3				Y	4.7
9	900	1.1	Y	Y	Y		3.1
10	34,041	41.7	Y	Y			2.6
11	6,287	7.7	Y		Y		2.0
12	20,174	24.7		Y	Y		1.9
13	45	0.1	Y				1.6
14	862	1.1		Y			1.6
15	41	0.1			Y		1.2
16	558	0.7					1.0
Total	81,536	100.0	75,998	21,535	52,988	5,395	

		Weights	1.63	1.57	1.20	4.65

Table 5: Risk ladder showing the relative risk of a private property being a private sector single family dwelling

5.2 Distribution of HMOs and high risk single family rented properties

Combining the total number of high risk HMOs with the number of high risk single family private rented properties we arrive at a total of 37,730 properties; this is greater than the 34,600 estimated by the GLA in 2014. This is broken down by ward in Annex C.

Some of the difference will be accounted for by subsequent growth in the private rented sector as our data are much more up to date, but some of it is due to overlap of high risk properties that could be either HMOs or single family private rented.

For these reasons we believe that the total estimated number of privately rented properties, which comprises around 45% of the privately owned stock, is reasonably accurate.

Figures 11 and 12 are maps showing the distribution of high risk private rented properties. We have seen how private renting and deprivation are related to areas that are already selectively licensed or possible candidates to become selectively licensed.

However, we have not considered how ASB affected different areas in different measure except at a ward level. This may be shown using two illustrative examples – the first based on noise complaints and the second on waste enforcement notices.

The first shows the distribution of colour-coded high risk private rented properties. It confirms that private renting is widespread throughout the borough, although densities and types and ages of builds vary enormously from the older stock in the north to the modern developments in the south and so ASB hotspots vary in size and concentration.

Overlaid are contours showing the incidence, in this case, of noise complaints. It shows concentrations in most areas, whether in old or new builds or in more or less densely built up neighbourhoods. For example, the peak in Canary Wharf, comprising new developments, is arguably comparable with peaks in other areas in the north of the borough.

The second illustration shows a more limited and localised indicator based on waste enforcement notices, nearly all of which are concentrated in a small area ranging from cell A6 to C8, coinciding with areas already subject to Selective Licensing. The key point is that ASB is widespread but the nature and concentration varies depending on category.

From a Council perspective the neighbourhood effects of Selectively Licensed areas are easier to identify than the more dispersed nature of HMOs which do not self-identify as readily. At the individual property level identification may be easier where they are not being well maintained or there are other issues. This can also be seen from the ward analysis shown in Table 2 in the previous section.

For these reasons Additional Licensing is a more appropriate tool to use in these cases if the aim is to embed higher housing standards and better property management over a dispersed area. In the next section we set out the case more formally.
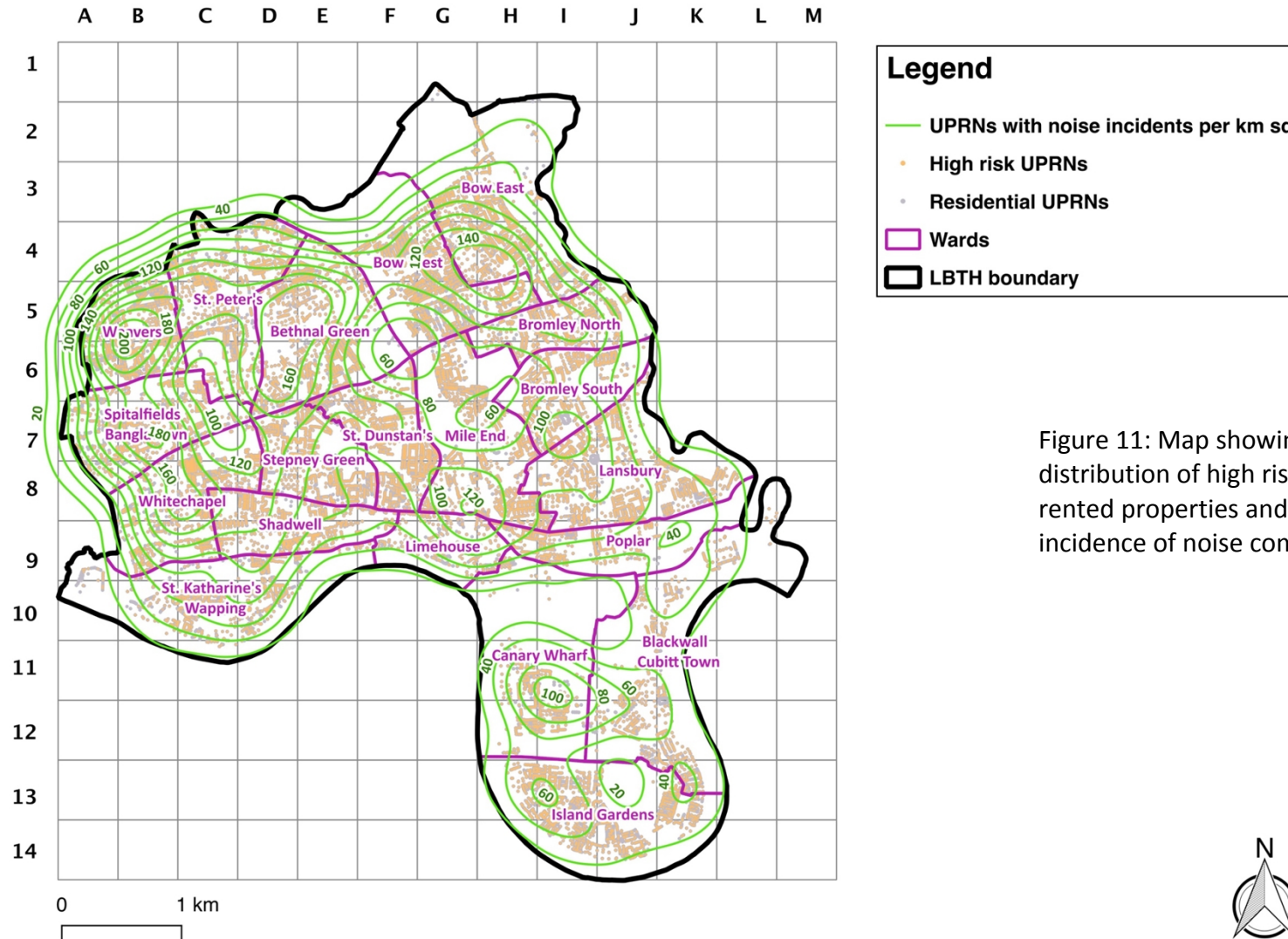
Figure 11: Map showing the distribution of high risk private rented properties and the incidence of noise complaints
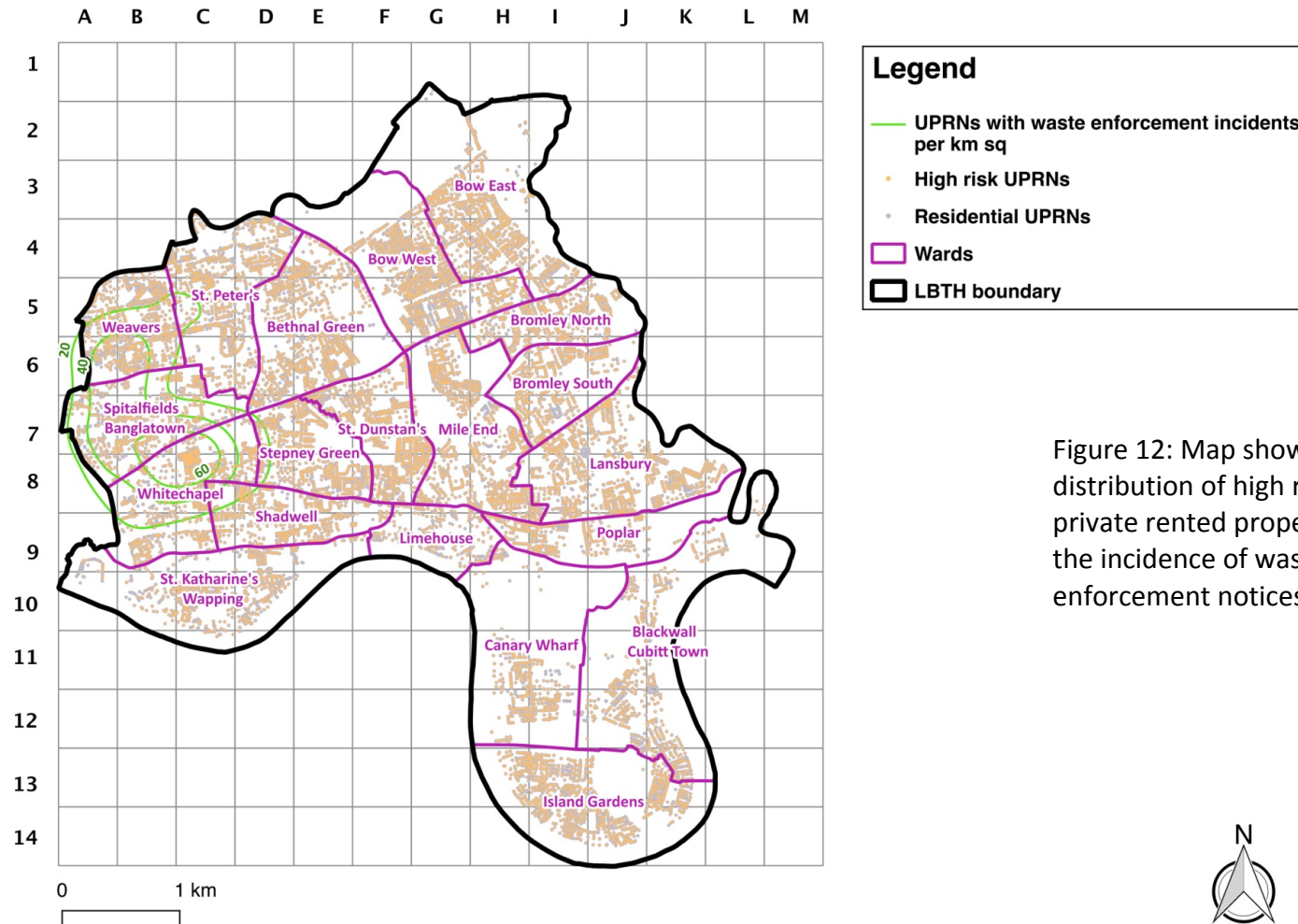
Figure 12: Map showing the distribution of high risk private rented properties and the incidence of waste enforcement notices

6. Discretionary Licensing options

As part of its housing strategy the London Borough of Tower Hamlets is reviewing existing licensing schemes for the private rented sector. There are two types of Discretionary Licensing for which there are separate arguments in terms of their introduction or extension:

> (a) <u>Additional</u>: where a council can impose a licence on HMOs in its area which are not subject to the Mandatory Licensing scheme, and where the council considers that poor management of the properties is causing problems either for the occupants or the general public

> (b) <u>Selective</u>: covering privately rented property in areas which suffer or are likely to suffer from low housing demand and also to those that suffer from significant and persistent anti-social behaviour

Currently Tower Hamlets operates a Selective Licensing Scheme in three wards which was introduced from October 2016. Mandatory, which is borough-wide, only applies to HMOs which are residences with three or more storeys and are occupied by five or more persons forming two or more households.

If Additional Licensing is introduced it means that Tower Hamlets can specify the maximum number of people who can occupy the house, attach conditions relating to the management of the building, and also make sure that amenities are kept up to standard. As a result the number of properties captured by such as change of definition would be much greater.

6.1 Additional Licensing

Excluding wards covered by Selective Licensing, Additional Licensing could apply to other designated wards or to the rest of Tower Hamlets were it to be introduced. There may be different arguments depending on which parts of Tower Hamlets are designated and which definitions of HMOs are used:

- From our analysis the number of Mandatory Licensed properties in force is relatively proportionate. Using a more generous definition based on our methodology with no limit on storeys, the number could be as high as 9,000 assuming 3 or more adults.

- Our analysis shows that high-risk HMOs are widely distributed across the borough but are more likely to be in poorer condition and contribute to, or suffer from ASB if they are located in more deprived wards. In the newer developed wards ASB is less in evidence although noise appears to be localised problem.

- In the newer developed areas many flats are unoccupied or used as short lets. This constitutes a management problem of a different kind which could

be addressed by Additional Licensing, although it would be prudent to obtain legal opinion first. Of all the wards Canary Wharf and Blackwell and Cubitt Town have the highest percentage of private properties with no adults registered on the electoral roll (50% and 41% respectively)

−   Nevertheless, there are concentrations of old builds even in the regenerated wards which would be excluded if an Additional Licensing scheme only covered some wards. In addition the administration of a scheme that covered some wards and not others would be logistically complicated and could leave isolated pockets of problem properties in unlicensed wards.

If the scheme is less than borough wide then a more refined selection process is needed. The ranking in Table 6 is based on three factors: the number of higher risk HMOs, the number of Mandatory licensed HMOs, ASB levels and the number of properties with 3+ adults. It shows that the main wards to stand out that are not already subject to Selective Licensing are contiguous to the existing scheme: They are Bethnal Green, Bow West, St Peters, Bow East and Shadwell. However, also in the top ten, but geographically separated, are Island Gardens and Lansbury.

Number	2017 ward name	Already licensed
1	Bethnal Green Ward	
2	Whitechapel Ward	yes
3	Spitalfields & Banglatown Ward	yes
4	Weavers Ward	yes
5	Bow West Ward	
6	St. Peter's Ward	
7	Lansbury Ward	
8	Bow East Ward	
9	Island Gardens Ward	
10	Shadwell Ward	
11	St. Dunstan's Ward	
12	Stepney Green Ward	
13	Mile End Ward	
14	Blackwall & Cubitt Town Ward	
15	Poplar Ward	
16	St. Katharine's & Wapping Ward	
17	Bromley North Ward	
18	Canary Wharf Ward	
19	Bromley South Ward	
20	Limehouse Ward	

Table 6: Ranked wards in which the case for introducing Additional Licensing is strongest

6.2 Selective Licensing

The arguments for an extension of Selective Licensing are also very strong. The research finds direct and extensive links between ASB and private renting at property level, strong links to deprivation at a ward level and net positive influxes of migrant populations (see Annex A). It also confirms that the three wards enrolled into the Selective Licensing scheme introduced last October are not the only wards that could benefit.

Here Tower Hamlets has basically two options:

– Option 1 is to introduce Selective Licensing to the whole of the borough. This has the merit that it would deal with all the main housing issues in 'one go' and obviate the need for an Additional Licensing scheme; however, a key issue is that it includes several newly developed areas which may not meet the criteria. However, this option would require Secretary of State approval and the case in every ward.

– Option 2 would be to introduce Selective Licensing in those areas which best meet the required criteria. The issue that needs investigating is whether, as a result, Tower Hamlets would need to obtain confirmation from the Secretary of State for any Selective Licensing scheme if it covers more than 20% of their geographical area or will affect more than 20% of privately rented homes.

Table 7 jointly compares the ASB indicators from Section 5 with the estimated size of the PRS in Section 6 at ward level. It shows in rank order the wards that are most likely to meet the criteria for Selective Licensing based on the levels of ASB. It is also noteworthy that the highest ranked wards strongly overlap with some of the most deprived neighbourhoods. Further columns show the cumulative percentages of area and of the PRS covered. Based on this table only the first three wards would satisfy the 20% PRS constraint and the first four wards the 20% area constraint.

If only the three wards already operating schemes are considered these jointly cover 11.8% of the Tower Hamlets area and 18.1% of the estimated size of the PRS. This means there is potential scope to add to the existing scheme to bring it up to 20%. However, adding St Peters, ranked first in Table 7, would increase the area covered to 16.8% and the PRS to 25.2% based on this table.

Some fine tuning is possible by designation subjecting only the worst affected parts of the ward to Licensing, but that would need further work and involve some arbitrariness. Another option would be to include Shadwell to the existing scheme as it is contiguous to the current scheme, like St Peters, but somewhat smaller in terms of the size of its PRS.

Num-ber	2017 ward name	Rank ASB	Rank PRS	Cumul-ative PRS %	Cumul-ative area %
1	St. Peter's Ward	1	5	7.1	5.0
2	Spitalfields & Banglatown Ward	2	8	12.6	9.2
3	Whitechapel Ward	3	4	20.3	13.7
4	Weavers Ward	4	10	25.2	16.8
5	Bethnal Green Ward	5	9	30.7	22.4
6	Lansbury Ward	6	14	33.9	28.5
7	Shadwell Ward	7	15	37.0	31.5
8	Bow West Ward	8	12	41.1	37.7
9	Mile End Ward	9	11	45.7	43.4
10	St. Dunstan's Ward	10	18	48.1	46.5
11	Stepney Green Ward	11	17	50.9	49.5
12	Bow East Ward	12	7	56.9	58.2
13	Island Gardens Ward	13	3	64.9	65.2
14	Canary Wharf Ward	14	1	74.1	72.8
15	Bromley North Ward	15	16	76.9	75.6
16	St. Katharine's & Wapping Ward	16	6	83.3	82.5
17	Blackwall & Cubitt Town Ward	17	2	91.9	91.2
18	Poplar Ward	18	20	94.0	94.5
19	Bromley South Ward	19	19	96.3	97.7
20	Limehouse Ward	20	13	100.0	100.0

Table 7: Wards ranked by ASB for which the case for introducing Selective Licensing is strongest

It is important to point out, however, that the existing scheme is based on old ward boundaries and it is not possible to change these in the short run if the inclusion of Shadwell is considered as a possible addition. Table 8 compares the percentages of area and PRS covered with and without the inclusion of Shadwell. It shows, however, that Shadwell would just miss the 20% cut based on the new boundaries as it does on the old, although it would be well within the area constraint in both cases.

Boundaries	metric	Without Shadwell	With Shadwell
Old	area	10.8	15.3
	PRS	17.3	22.5
New	area	11.8	14.8
	PRS	18.1	21.2

Table 8: Comparison showing the effect of including Shadwell to the present Selective Licensing Scheme based on the percentage of the PRS and area covered.

In summary we find a case for a borough-wide extension to Additional Licensing. This case is slightly different depending on whether it is in a more newly developed and less deprived area in which a substantial proportion of the stock appears to be empty or available for short-lets, or in wards in more deprived areas where HMOs are fully established. The case for Selective Licensing is generally strong, although it is not borough-wide.

The key problem here is that any extension to the existing scheme would likely require an application to the Secretary of State. In theory adjustments could be made to the boundaries of the scheme although this would almost certainly require some arbitrariness about which streets and addresses to include and so lead to other practical problems. It is therefore recommended that the Council keeps this possibility under review whilst it gains experience of the present scheme and gathers further evidence.

7. Conclusions

The aims of this research were set out in the introduction. These were:

1. Whether there is sufficient evidence for the Council to bring in an Additional Licensing scheme across the Borough. If such a scheme was introduced it would cover all HMOs irrespective of number of storeys where there are 3 or more tenants but would exclude those wards already operating Selective Licensing schemes.

2. Whether there is evidence available for the Council to make a case to the Secretary of State to enable a Selective Licensing to cover the whole Borough adding to the existing Selective Licensing schemes already operating.

Tower Hamlets is one of the most deprived boroughs in the country but the housing stock varies enormously in quality and type depending on location. It ranges from densely occupied neighbourhoods with mixed social and private housing to large new developments next to the river in the south.

Annex A shows a net inflow of international migrants in the past 11 years of 67k and an outflow of internal migrants of 15k, which means that the population is becoming ethnically more diverse as well as larger. Since migrants mostly live in private rented accommodation this, in addition, to deprivation strengthens the case for licensing.

However, the arguments differ depending on whether licensing is Additional, Selective or both. As noted above Selective Licensing applies to all private rented properties in a designated area whether they are HMOs or single family properties. If Additional Licensing is adopted this can apply only to HMOs that not already selectively or mandatorily licensed.

Potential for Extension of Discretionary Licensing

(a) Additional Licensing

The research finds that there is evidence to extend Additional Licensing to the whole borough but that the arguments are not uniform everywhere and differ qualitatively. Additional Licensing would cover smaller HMOs occupied by three or more people who are not from the same family and who share a kitchen, bathroom or toilet.

Most local authorities report a positive effect of licensing on the physical condition of properties, the quality of management and the quality of accommodation. A significant number of Mandatory Licensable HMOs are in areas with large student populations of which Tower Hamlets is a case in point, so students are likely to be one of the key beneficiaries as well as migrants.

If Additional Licensing is introduced it would considerably increase the scope of the much more limited Mandatory Licensing scheme based on the previous definition of an HMO for which only around 300 licences were in operation at the time of this research. Based on our estimates there are up to 18,000 HMOs in Tower Hamlets of which around 9,000 are believed to contain three or more adults based on the extended definition of an HMO. The actual number will be lower since some are located in already licensed wards.

We found that the incidence of HMOs was widespread in the borough and did not favour any particular wards. Data on housing notices established that poor housing conditions were more likely to occur in properties which were also exposed to specific risk factors such as Housing Benefit and noise complaints. Their relatively wide dispersion means that they are thinly spread and therefore more difficult to police without a licensing regime.

For this reason a borough-wide Additional Licensing scheme would be generally preferable. One concern was the number of properties which did not have any adults living in them based on the electoral role. Two good examples of this were Canary Wharf and Blackwell and Cubitt Town. If Additional Licensing were borough-wide, its introduction could lead to better management of the whole housing stock including currently vacant properties but legal opinion should be sought on this point.

(b) Selective Licensing

The total number of properties affected by ASB and poor housing conditions depended on the number of risk factors they are exposed to. For Selective Licensing which covers all forms of private renting and not just HMOs the arguments for extensions especially in contiguous areas to the currently licensed areas is compelling.

However, the conditions for its introduction are more challenging than for Additional Licensing but in the Tower Hamlets case these are relatively easy to justify. Private renting, especially single family rented properties, is strongly correlated with areas containing higher levels of deprivation especially in the north of the borough.

There is also a statistically significant correlation indicating direct association between private renting and ASB at property level, especially noise complaints, waste and housing notices. The evidence of this report is that Tower Hamlets meets these criteria comfortably in certain areas which are broadly delineated by ward boundaries.

The results of our analysis finds that the already selectively licensed wards which comprise Whitechapel, Weavers, Spitalfields and Banglatown have only slightly altered their ranking as compared with our earlier research, although it is important to remember that the schemes are still bedding down. However, the take-up of licences has been relatively strong with reaching around about 51% to date based on our estimates.

Other wards with an equally strong case were set out in Table 7 in rank order. Notably, they include Bethnal Green, St Peters, Bow West, Bow East, Lansbury and Shadwell wards among others and apart from Lansbury form a single contained geographical grouping with already licensed wards.

The issue for Tower Hamlets is not so much that they have a strong case for Selective Licensing, but that this case does not extend to the whole borough. This suggests that the optimum solution will be a mix comprising an expanded Selective Licensing scheme coupled with an Additional Licensing scheme covering elsewhere.

Tower Hamlets will need to consult on whichever they choose to adopt. However, the rules also contain a proviso which says:

> "….if a local housing authority makes a designation that covers 20% or less of its geographical area or privately rented properties, the scheme will not need to be submitted to the Secretary of State, provided the authority has consulted for at least 10 weeks on the proposed designation. However, if the local housing authority makes one or more designations that are in force partly concurrent to an existing scheme, and cumulatively all the designations cover more than 20% of the area or the private rented stock, those new designations will need to be submitted to the Secretary of State for approval."

Recent experience based on applications made by several boroughs to exceed the 20% rule indicates that any application by Tower Hamlets is very likely to fail. Our analysis of the present Selective Licensing scheme covering three wards is below this limit both under the new and old boundaries.

In principle, there is scope to extend this scheme based on the size of area but less scope based on the size of the private rented sector. An extension of the existing scheme to one or more of the neighbouring wards can be considered with the inclusion of Shadwell but in our analysis it narrowly misses the 20% cut off and so not be pursued at this point in time.

To summarise, we have therefore a mix of options available which are set out in the table below:

Option	Secretary of state approval	Strength of case
A. Introduce Additional Licensing borough-wide, no change to Selective Licensing	Does not require Secretary of State approval	Case for extending to new builds in regenerated areas is not as strong as in north of borough but there is a strong case for tackling the problem of empty or partially let properties under an Additional Scheme.
B. Partial introduction of Additional Licensing but excluding regenerated areas and those covered by existing Selective Licensing	Does not require Secretary of State approval	The case stands alone if only worst affected wards are included in an Additional Scheme, but it could create logistical and management problems as a result.
C. Extend Selective Licensing borough–wide	Secretary of State approval is required	The case is variable and is much stronger for some wards than others.
D. Extend Selective Licensing to neighbouring wards and adopt Additional Licensing elsewhere	Secretary of State approval is still required as enlarged scheme would cover more than 20% of the PRS	The case is very strong. Also an enlarged area is likely to form an integrated geographical grouping. Other wards outside this group to be covered by Additional licensing, but would not include single family private rented households
E. Extend existing Selective Licensing scheme to Shadwell only	Secretary of State approval would still be required	If adopted the extended scheme would just exceed 20% of the PRS and would therefore miss the cut.

A property level data base with our tenancy risk assessment and other information will be handed over with this report.

Potential for Extension of Discretionary Licensing

Annex A: Tower Hamlets migration flows 2004/5 to 2014/15

Category	2004/5	2005/6	2006/7	2007/8	2008/9	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	cumulative total
Inflows												
international	7,086	8,601	10,516	9,828	9,807	11,650	10,345	10,616	12,018	13,117	14,457	118,041
internal	15,006	16,250	16,835	17,463	20,339	21,491	20,870	21,047	21,205	23,142	22,524	216,172
total inflow	*22,092*	*24,851*	*27,351*	*27,291*	*30,146*	*33,141*	*31,215*	*31,663*	*33,223*	*36,259*	*36,981*	334,213
Outflows												
international	3,678	3,814	3,451	3,633	4,819	7,305	5,307	5,590	5,005	4,650	3,925	51,177
internal	18,495	18,423	19,556	19,642	19,261	20,463	20,891	22,715	22,137	24,017	25,322	230,922
total outflow	*22,173*	*22,237*	*23,007*	*23,275*	*24,080*	*27,768*	*26,198*	*28,305*	*27,142*	*28,667*	*29,247*	282,099
Net +/-	-81	2,614	4,344	4,016	6,066	5,373	5,017	3,358	6,081	7,592	7,734	52,114
of which												
International (A)	3,408	4,787	7,065	6,195	4,988	4,345	5,038	5,026	7,013	8,467	10,532	66,864
internal (B)	-3,489	-2,173	-2,721	-2,179	1,078	1,028	-21	-1,668	-932	-875	-2,798	-14,750

| net flow as % of population | 0.0 | 1.2 | 0.0 | 1.7 | 2.5 | 2.2 | 2.0 | 1.3 | 2.2 | 2.7 | 2.6 | |

Potential for Extension of Discretionary Licensing

Annex B: Estimated breakdown by tenure in new ward format based on data from the 2011 Census

	2017 ward name	Owner occupied	Social Housing	Private rented	Total
1	Bethnal Green Ward	1,785	3,274	1,859	6,918
2	Blackwall & Cubitt Town Ward	1,748	1,526	2,953	6,227
3	Bow East Ward	1,710	2,823	2,062	6,595
4	Bow West Ward	1,658	1,952	1,399	5,009
5	Bromley North Ward	622	1,919	961	3,502
6	Bromley South Ward	574	1,668	800	3,042
7	Canary Wharf Ward	1,664	1,383	3,119	6,166
8	Island Gardens Ward	2,111	1,376	2,744	6,231
9	Lansbury Ward	1,123	3,022	1,114	5,259
10	Limehouse Ward	1,103	571	1,265	2,939
11	Mile End Ward	1,295	3,026	1,565	5,886
12	Poplar Ward	508	1,244	693	2,445
13	Shadwell Ward	1,015	2,415	1,067	4,497
14	Spitalfields & Banglatown Ward	1,231	1,630	1,886	4,747
15	St. Dunstan's Ward	994	2,156	817	3,967
16	St. Katharine's & Wapping Ward	2,410	727	2,206	5,343
17	St. Peter's Ward	1,717	3,167	2,442	7,326
18	Stepney Green Ward	984	2,070	956	4,010
19	Weavers Ward	1,385	2,369	1,687	5,441
20	Whitechapel Ward	1,298	1,788	2,621	5,707
	Total	26,935	40,106	34,216	101,257

Annex C: Estimated size of the PRS based on model estimates using 2016 data

Ward name 2017	HR HMO	% of total	HR SF	% of total	HR HMO or SF	% of total
Bethnal Green Ward	1385	7.6	1290	6.6	2032	7.3
Blackwall & Cubitt Town Ward	1225	6.7	1468	7.5	1831	6.6
Bow East Ward	1293	7.1	1423	7.3	1988	7.2
Bow West Ward	1049	5.8	825	4.2	1479	5.3
Bromley North Ward	464	2.5	565	2.9	753	2.7
Bromley South Ward	649	3.6	791	4.1	1027	3.7
Canary Wharf Ward	965	5.3	1309	6.7	1525	5.5
Island Gardens Ward	982	5.4	1226	6.3	1621	5.9
Lansbury Ward	859	4.7	1179	6.0	1569	5.7
Limehouse Ward	557	3.1	705	3.6	898	3.2
Mile End Ward	934	5.1	950	4.9	1344	4.9
Poplar Ward	362	2.0	447	2.3	641	2.3
Shadwell Ward	577	3.2	606	3.1	926	3.3
Spitalfields & Banglatown Ward	851	4.7	910	4.7	1322	4.8
St. Dunstan's Ward	740	4.1	702	3.6	1086	3.9
St. Katharine's & Wapping Ward	1080	5.9	1201	6.2	1627	5.9
St. Peter's Ward	1183	6.5	1115	5.7	1688	6.1
Stepney Green Ward	681	3.7	565	2.9	989	3.6
Weavers Ward	980	5.4	829	4.2	1329	4.8
Whitechapel Ward	1386	7.6	1422	7.3	1975	7.1
	18202	100.0	19528	100.0	27650	100