

Review of the Additional Licensing Scheme for private rented properties in the London Borough of Tower Hamlets

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Neighbourhood Knowledge
Management

EXEC SUMMARY

Our evaluation of the Additional Licensing Scheme introduced in April 2019 takes place against the general background of the wider Tower Hamlets housing strategy whose aims includes raising private rented housing standards. With social housing declining as a proportion of all housing, private landlords now provide most homes in the rented sector and surpassed owner occupation.

To give an indication of scale, we estimate that of the 185k housing 43k are in the Private Rented Sector (PRS) – that is an increase of 26 % since the 2011 Census. Of the total, 15k premises belong to one of the three existing licensing schemes – Mandatory, Additional or Selective. The first two are concerned with Houses of Multiple Occupation (HMOs), whilst Selective Licensing is targeted at all rented properties in a designated area.

The Additional Scheme started in April 2019 and is due to end in April 2024. The aim of this review is to consider whether it should be extended across the whole Borough and for a further five years. The stated purpose of the Additional Licensing Scheme is to improve management and housing conditions across the private rented sector, as set out in a Tower Hamlets Cabinet paper from October 31st 2018.¹

In doing so both tenants and landlords would be clear on the minimum standards expected within multi-occupied premises. The scheme itself would be backed up by a strong legal framework and a strengthened inspection system to root out poor housing conditions. Responsible landlords would gain from improved clarity of their role in raising property and tenancy management standards.

The review found that the significant task of improving standards has made progress but the size of that task continues to grow and remains challenging. For example, the evidence shows that compared with private ownership and social tenure, the PRS continues to generate more call centre housing complaints, more domestic noise complaints, notifications of housing hazards, and improvement notices served.

In addition all of the above are noticeably more frequent in licensed rather than unlicensed premises with Mandatory licensed premises being the most culpable followed by Additional licensed, and then Selective licensed premises. These patterns are replicated at ward level where we find a strong positive correlation between the size of the PRS and all of the above, indicating that neighbourhoods are being unequally affected.

The case can be made therefore that all the schemes are well targeted, although it is likely that some HMOs which should be licensed may yet be escaping scrutiny. Using multiple sources of administrative records we analysed whether progress is being

¹ Proposed Additional Licensing Scheme for Houses in Multiple Occupation.

made across a range of indicators. For example, we note that there has been a fall in noise complaints across the borough. The evidence also shows that properties are much more likely to have an Additional Licence if they have been reported for housing complaints or noise complaints, housing hazards, or if an improvement notice has been served.

Under the Rent Repayment Order scheme, data show that £810k has been returned to tenants since 2019 and of this 65% pertained to Additional Licensed properties, 24% to Selective and 11% to Mandatory properties. These examples show that the scheme is both helping to protect tenants but also root out licence dodgers and rogue landlords.

At the same time the administrative overheads should not be underestimated. In the case of Additional Licensing it is fair to say that take-up is below where it should be. Although there is no full proof way of quantifying the shortfall, the pattern of workflow shows longer administrative delays in issuing licences than for the other two schemes.

It is probable that the COVID lockdown must take some of the blame and recent data shows processing times are coming down. However, Additional Licensing is inherently more complicated and wider in its scope than the other schemes. Our main recommendation therefore is that the scheme be extended Boroughwide and for a further five years from 2024 but that the scheme is adequately resourced.

If there is no substantial improvement there remains the option of extending Selective Licensing across the whole borough which would include all private rented properties and not just HMOs. However, we stop short of recommending that option here. Otherwise we suggest management action to improve some of the enforcement processes by making more management use of administrative data sources that were available to us. The data base provided as part of that review which identifies PRS properties down to UPRN (address) level should help in this regard.

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1. Introduction

1.1 Background

This report commissioned from Mayhew Harper Associates Ltd. (MHA) by the London Borough of Tower Hamlets reviews the impact of the Additional Licensing in the Borough. The scheme itself will formally come to an end in April 2024, at which point the Council will need to decide whether the designation has achieved or are on course to achieve their aims.

The council has a duty to carry out a review of any discretionary licensing scheme it has implemented to determine if it is achieving the aim of improving management standards. The scheme itself commenced on April 1st 2019, the outcome of this review will help inform a future decision on the renewal of the scheme designation and areas for improvement.

The Additional Licensing Scheme applies to the whole of the private rented sector (PRS) excluding the current Selective Licensing designations (Spitalfields and Banglatown, Weavers, Whitechapel areas which are based on pre-2014 wards), there is also HMO licensing under the Mandatory Scheme which also covers the whole borough. In this report we review the case for extending the Additional Scheme for another full five year term.

Additional HMO licensing is intended to help the council tackle poor management, poor housing conditions and overcrowding in HMOs not subject to Mandatory Licensing. The benefits to the council are the landlords are required to engage with it and that they in turn will receive information and support. In addition, it is argued, bad landlords will be forced to improve their practices or leave the market.

The scheme's introduction has coincided with a period of rapid change in Tower Hamlets, both in terms of the housing stock and also the population. In 2011 the population was 256,000. By 2019 it had grown by 27% to 325,000, and by 2022 34% to 343,000, making it one of the fastest growing boroughs in the country. By 2024 when the scheme is due to end a further 10,000 will be added to the total.

As far as private renting is concerned the critical age group for private renters is from 25 to 34. Totalling 77,000, the 25 to 34 year age group currently account for around 23% of the Tower Hamlets population. Unlike the population as a whole, their number has been fairly steady and in fact is slightly declining as a proportion and so is not expected to change very much over the duration of the scheme. This suggests that Private Rented Sector (PRS) growth is being affected by other factors such as high house prices or different types of clientele.

A full audit of the size of the PRS was last undertaken at the time of the 2011 census at which time it was estimated to have totalled 34,000 units out of a total housing stock of 140,000. Estimates using administrative data in a previous MHA report in

2019 concluded that the figure was then closer to 39,000 out of a total housing stock of 140,000 units, since when we believe there has been further growth.

Because fresh data from the 2021 Census was not available in time for our report we continue to use administrative estimates based on our previous methodology. Using the Local Land and Property gazetteer (LLPG) we estimate that the total housing stock now comprises 185,000 units. If we apply the same methodology as we did in 2019, then we also observe further growth in the PRS and now estimate it to be 43,000. This process is summarised in Box 1.

Box 1: Estimating the size of the PRS from administrative data

There are no current or official statistics on the size of the private rented sector. The nearest available dates back to the 2011 Census, and although there was another Census in 2021 the results were not available for this report. In a previous review of the PRS we used administrative sources to estimate its size which was 39,000 at the time.

For this review, our starting point is the 185,380 Unique Property Reference Numbers (UPRNs) on the Tower Hamlets Local Land and Property Gazetteer (LLPG). Of these, 42,025 UPRNs were removed that had a property type that could not be PRS unless previously identified as such – for example licensed HMOs. This included commercial properties, garages, residential institutions, etc.

This left 143,355 UPRNs of which 40,690 were identified as social housing if on the Tower Hamlets Homes database that were not Right to Buy (RTB). These data were known to be incomplete, and so were supplemented with any known social housing from the 2019 PRS study, that was not known PRS in 2022.

A further 15,260 were labelled PRS if there was an in-force or applied for Mandatory, Additional or Selective Licence, or a Council Tax student exemption, or an Additional Licensing rent repayment order. Finally, an additional 28,441 non-social housing were flagged as PRS if receiving Housing Benefit or identified as PRS in the 2019 review, resulting in 43,701 PRS units in total, about 10% more than in 2019.

Our evaluation takes place against the general background of the wider Tower Hamlets housing strategy. With social housing declining as a proportion of all housing, private landlords now provide more homes than any other sector. Thus the PRS will continue to be a major preoccupation as the council seeks to ensure that the standards of accommodation for people living in PRS are as good as they can be.

The rest of this report reviews the scope of the Additional Licensing Scheme and the take up of licenses to date, and compares the purpose of the scheme against its original objectives by reviewing housing conditions against other sectors to see if there have been improvements. It begins by re-capping on the purpose of the scheme and how it works.

It compares the take up of licences with the experience to date of the Selective Licensing Scheme which has been in force since October 2016, the impact it has had on the ground and scope for improvement. The analysis covers the period from the implementation of the scheme to the present. MHA is most grateful to Tower Hamlets for providing the relevant data and for the practical assistance received.

2. Scope of Additional Licensing

The Housing Act 2004 gives the Council the power to introduce housing licensing schemes for privately rented properties within the whole Borough or in designated areas, in order to improve standards of management in the Private Rented Sector (PRS) and reduce anti-social behaviour.

Note that just because a property is in the PRS does not mean that it has to be licensed. Additional Licensing is one of three different types of landlord licensing scheme operating in Tower Hamlets with the same ultimate purpose but affecting different types of private rented property and operating over different areas. Broadly there are two types of scheme: Mandatory or discretionary.

1. **Mandatory Licensing** applies borough-wide and was the first licensing scheme to be introduced from 2006 following the Housing Act of 2004. An HMO is defined as private rented accommodation with five or more occupiers living in two or more households who share some amenities such as a kitchen or bathroom.
2. **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. The two types of discretionary licensing are:
 - (a) **Additional:** 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) **Selective:** 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).

The long-standing Mandatory HMO Licensing Scheme is well established in the borough but since the removal from the definition of an HMO that they should be of

three or more storeys the number of licenses have increased considerably from around 280 in 2017 to 710 today.

2.1 Spatial coverage of Additional and Selective Licensing

Additional Licensing which applies to HMOs was introduced from April 2019 for multi-occupied private rented properties. It excludes areas of the borough covered by Selective Licensing and all Mandatory licensed HMOs which is a borough-wide scheme. By the end of September 2022, 5,050 licences had been issued.

The Selective Licensing Scheme which has been running since October 2016 applies to three wards under the pre-2014 ward designations - Spitalfields and Banglatown, Weavers, Whitechapel. This is shown in the map in Figure 1 in which as can be seen the boundaries have slightly altered the configuration.

It means that some Selectively licensed properties are now covered by the new wards whilst some Additional Licensed properties in the new wards now find themselves situated in Selectively licensed areas. By the end of September 2022, 7,542 Selective licences had been issued. The operation of this scheme was reviewed by MHA in a previous report for Tower Hamlets published in 2020.

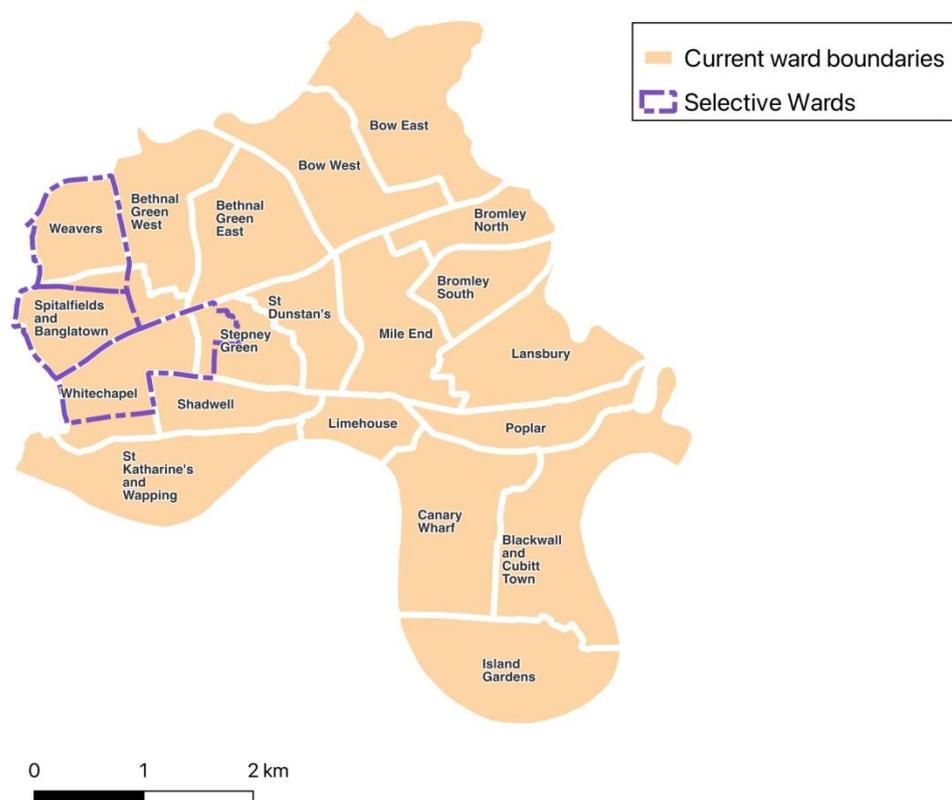


Figure 1: Post-2014 ward map of Tower Hamlets showing boundaries of the areas covered by Selective Licensing

The costs of each type of licence is quite similar and among the lowest in London. Costs vary depending on whether a landlord applies online or by post which costs slightly more. If the application is online an Additional Licence costs £550 and is valid for five years; if it is a postal application then it is £645. This compares with £569 for a Mandatory licence and £595 for a Selective licence. For Mandatory licences there is also an additional fee of £35 per habitable room.

2.2 Properties eligible for Additional Licensing

An HMO is a house or a flat which is typically occupied by persons who do not form a single household and share amenities such as bathrooms, kitchens and toilets. A Selective Licensing Scheme differs from HMO based licensing schemes because it covers all private rented accommodation in a designated area.

The Additional Licensing Scheme includes all HMOs where there are 3 or more people living as 2 or more households and they share facilities such as a bathroom or kitchen and at least one of the tenants pays rent. If the property has five or more occupants living as two or more households then a Mandatory licence normally applies.

However, the Government has excluded purpose-built self contained flats within a block comprising three or more self-contained flats from the Mandatory Scheme. If the property is in one of three wards (pre-2014 boundaries) - Spitalfields and Banglatown, Weavers and Whitechapel- then Selective Licensing will apply except in the case of student accommodation which is exempt.

2.3 Applying for a Licence and enforcement of property standards

To obtain a licence several conditions apply. These include whether a person is 'fit and proper' to be a landlord - for example the Council must have regard to whether the applicant has any previous convictions involving fraud or other dishonesty or violence or drugs and sexual offences.

Other conditions include whether the applicant has practised any type of unlawful discrimination, or has contravened housing, landlord or tenant law. If a property remains unlicensed a tenant can apply for a Rent Repayment Order and landlords will be severely limited in taking any eviction proceedings. Penalties include a criminal conviction and unlimited fine or a financial penalty of up to £30,000.

Latest Tower Hamlets data show that £810k has been returned to tenants since 2019 and of this 65% pertained to Additional Licensed properties, 24% to Selective and 11% to Mandatory properties. This shows that the scheme is both helping to protect tenants but also root out licence dodgers and rogue landlords.

In addition tenants are protected through the Deposit Protection Scheme which ensures they get their deposit back when they move out provided they have paid their rent and have looked after the property. The property also needs to be safe to live in and free from problems with damp and mould and have a working smoke

alarm on every floor.

Electrical wiring and any electrical items supplied with the accommodation must be also safe. Applications should therefore include a Gas Safety Certificate or Commissioning form and an Electrical Safety Certificate or Commissioning form. It is also necessary to ensure a carbon monoxide alarm is equipped in any room used as living accommodation which contains a fixed combustion appliance (excluding gas cookers).

The Council typically inspects medium and high risk properties which may give rise to a hazard using information on the application form. A hazard is any risk of harm to the health or safety of an actual or potential occupier of accommodation that arises from a deficiency in the dwelling, building or land in the vicinity.

Hazards are bracketed into different types depending on their seriousness – for example damp and mould pollutants such as asbestos or carbon monoxide, overcrowding, noise, domestic hygiene, electrical and fire hazards. In most cases officers will enter a property following an invite by the occupier or tenant.

Notices served on landlords to remove the hazard or to make improvements is one of the means of regulating the sector under the 2004 Housing Act. Typical inspections include fire safety precautions, overcrowding, damp and mould, excess cold issues and health and safety hazards.

Legislative tools available to the Council include the Housing Health and Rating System under part 1 of the Housing Act 2004. This gives powers for councils to take a wide range of enforcement including improvement notices, prohibition orders, and emergency remedial actions and demolition orders, where an officer considers a person is contravening health and safety laws.

Complaints from tenants are routed via call centres or service requests to the Environmental Health and Trading Standards department. Some complaints may be referred via the Citizens Advice Bureau. Many come from overseas visitors or students studying in England, often concerning the non-return of holding deposits, misleading property advertisements, illegal building conversions and so on.

Trading Standards may issue fixed penalty notices (FPNs) on landlords or letting agents. Examples include landlords or letting agents charging outlawed fees for spurious items such as renewal or terminations fees, room cleaning charges and others. On paper the penalties are substantial but the fines are often hard to collect and indeed may never be collected, although clearly the system acts as a deterrent.

Landlords and letting agents must also belong to a Redress Scheme whose job is to investigate complaints between landlords and tenants. If a complaint is upheld, the scheme can order the letting agent to apologise or pay compensation. It is also an offence not to belong to a redress scheme. A landlord or letting agent that is not a member can be fined up to £5,000 and have their licence revoked.

A more recent piece of legislation will also tackle the problem of thermally efficient heating of properties in the private rented sector. Energy performance grades range from A to G in which properties designated A are the most energy efficient and G are the least. Since April 2020 private rented properties are legally obliged to have an Energy Performance Certificate (EPC) graded as E or above, although we understand that no-one to date in Tower Hamlets has so far been prosecuted.

3. Take-up of Additional Licensing

Additional Licensing started in April 2019. After 36 months to the end of September 2022, 5,050 licences had been issued, with some applications pre-dating the official start of the scheme by a few months. At the time of this report we understand that the number of Additional Licences issued had increased to 5,134 equating to about £2.8m in revenue.

Figure 2 shows how Additional applications have evolved over the period averaging around 160 a month which, based on the latest data, now appears to be levelling off. The number may be lower than it might have been because there is a backlog of applications awaiting attention.

Figure 2 also shows that applications commenced before the official start of the scheme which points to the effectiveness of prior publicity. Although there is no direct equivalence with Selective Licensing, where there have been over 7,000 applications since the scheme's inception and over 6,000 licences issued, averaging around 100 per month. Under Mandatory Licensing, around 700 have been issued since April 2019, averaging about 18 per month.

Figure 3 shows the pattern of Additional Licence 'starts' from April 2019 onwards. The number of 'starts' reached a peak between October 2019 and June 2020 before falling back. They reached a low point in October and November 2021 with less than 50 'starts' but then increased in the last months of last financial year ending March 2022. The low point appears to be a consequence of the COVID pandemic and the first lockdown in March 2020.

In the current financial year the data suggests the Council should expect around 100 applications a month, but this is hard to confirm because of recent variability. One important difference between the Additional and Selective Schemes is the average time it takes to process and issue a licence. For Additional Licensing the average wait is around 8 months compared with under half that time for a Selective licence.

This could occur for several reasons, including the difficulty of verifying whether a property is eligible for an Additional Licence or not. The comparative wait for a Mandatory licence is 4.7 months. However, there are also several mitigating factors. For example, the scheme was implemented just ahead of the COVID pandemic 2019

and as we noted above this noticeably impacted the processing of applications from July 2020 onwards.

Additional Licensing requires a lot of documents such as fire alarm systems, electrical, gas, EPC, floor plans so the process of approving a licence is inherently longer. It seems missing documents are a frequent occurrence requiring constant reminders and chasing letters. The landlords/agents are often difficult to deal with in terms of missing payments, chasing information and documents and this can take some time before the Council receive everything before applications are completed and licences issued. But why Mandatory licences which also require documentation are dealt with quicker is unclear, it could be that these landlords/agents are more familiar with the process as these licences are renewed every three years.

The data show that processing times have been improving and are coming down from 8.2 months in 2019, 7.9 in 2020, and 6.5 in 2021. However, this still feels unacceptably long and may partially explain the slowdown in licences issued when the processing times are compared with applications for Selective and Mandatory licences which remain shorter on average. On a positive note the size of the backlog has been falling. This can be gauged from the vertical distance between the solid and hatched lines in Figure 2. In January 2020 for example, it was around 2000 whereas today it is under 500.

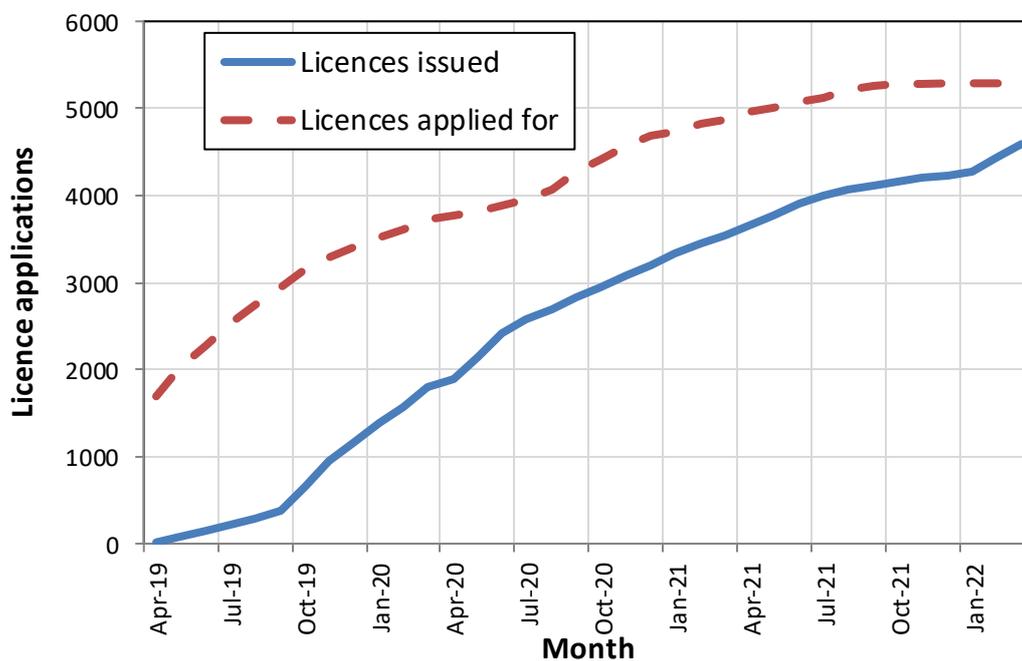


Figure 2: Additional licences applied for and issued

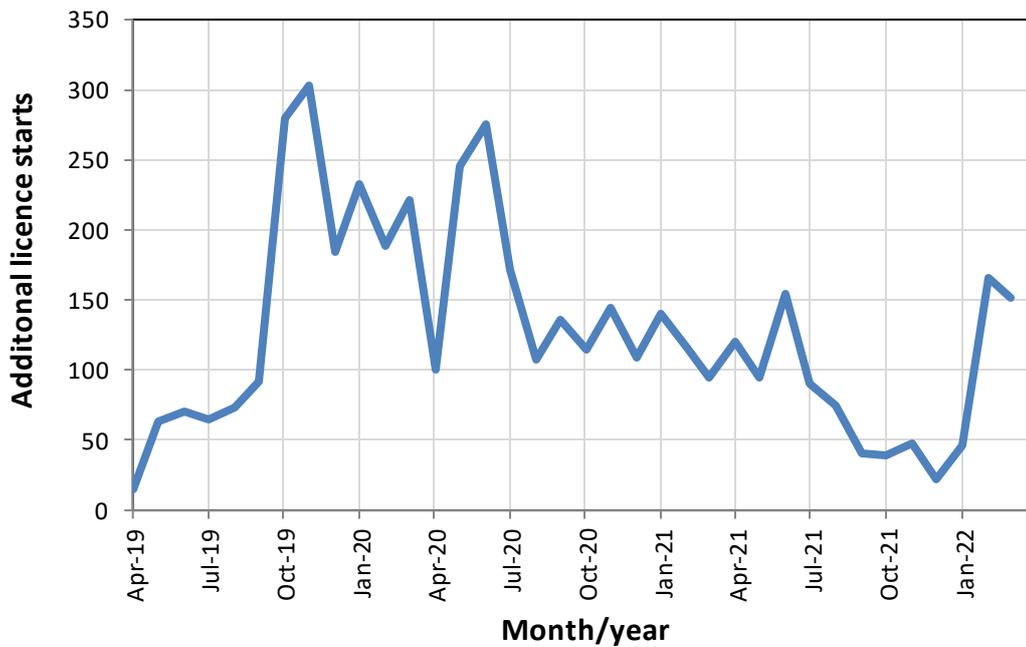


Figure 3: The number of Additional licences issued by start month

Figure 4 is a map showing the distribution of licenses among wards according to licence type. The map uses the 2017 ward boundary configuration in which it can be seen that a number, around 350, Selectively licensed properties have effectively changed ward from Spitalfields and Banglatown to Stepney Green.

In addition around 120 Additional Licensed properties within the Selectively licensed boundaries are now situated in Weavers, Whitechapel and Spitalfields and Banglatown. It is not considered necessary that such licenses be re-assigned or re-designated, but there could come a point when licensing next comes up for review to adjust the Selective Licensing boundary accordingly.

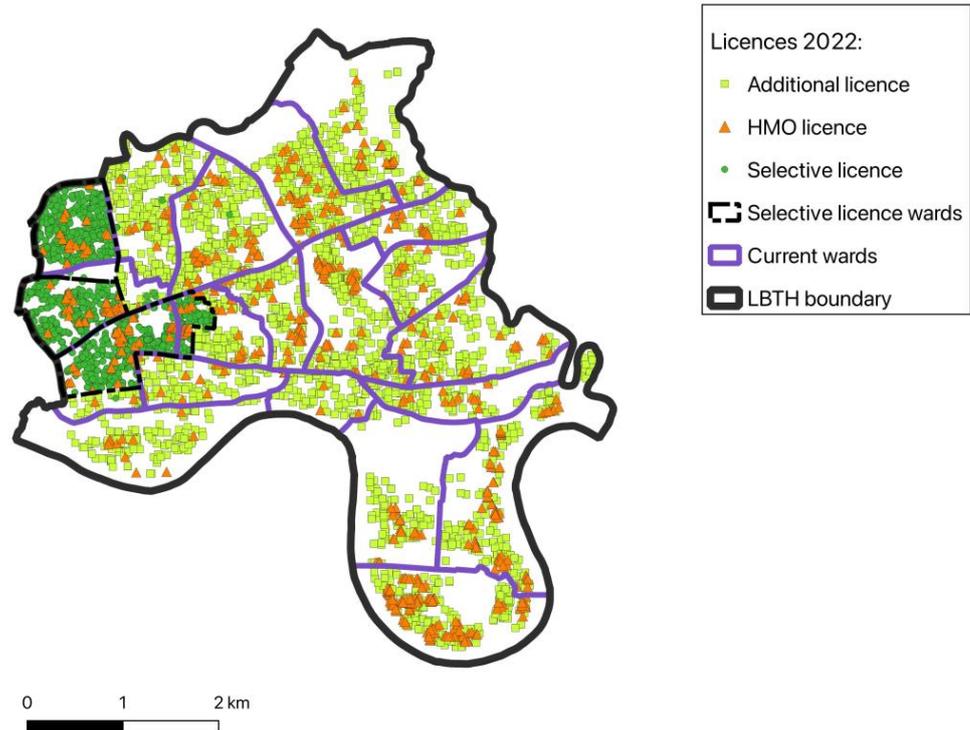


Figure 4: Map of Tower Hamlets showing the distribution of all types of licensed properties, 2017 ward boundaries and the limits of Selective Licensing

4. Evaluating the impact of Additional Licensing

Additional Licensing is designed to assist councils in improving the management of private rented properties where it considers that poor management of the properties is causing problems either for the occupants or the general public. This has an obvious benefit both in terms of attractiveness of Tower Hamlets as a place to live and also impacts the immediate neighbourhood.

Any evaluation of the scheme should have regards to the size of the sector, whether there is evidence of management problems such as persistent problems regarding the home itself. This includes reports of overcrowding, the visual appearance of the property and immediate surroundings, such as evidence of flying tipping and dilapidations.

It could include complaints relayed to the council or housing department about specific problems such as noise complaints, warning letters recovered from the council, for example concerning garbage waste. Since the scheme has only been in existence since April 2019 it will be important to manage expectations of the full impact while at the same time identifying where further work is required in order to derive future benefit.

There are various ways to do this, none of which is perfect but in combination show that aspects of the scheme are being effective. Several large administrative sources were analysed in depth, all of which are considered to be of importance in the management of the PRS. They potentially enable us to identify ongoing issues requiring management attention or if the sector is outperforming other housing sectors.

Data sets provided to us included the following:

- (a) Energy Performance Certificates: There is law which says that private rented properties must have energy performance certificates of band E or above. We analysed the data provided and compared the private rented sector against all housing, nearly 150,000 in total.
- (b) Service requests: Around 1,000 Service requests involving complaints, mostly pertaining to the private rented sector, were analysed to understand what proportion were generated by different types of licensed properties.
- (c) Warning letters totalling around 500 were sent to householders between January 2020 and March 2022, mostly covering issues relating to garden waste and overhanging shrubs and trees. In many cases letters were sent to multiple addresses
- (d) Noise complaints: Unwelcome noise is a nuisance and complaints to the council can reveal both the source of noise – whether domestic or not and if the PRS is more likely to be a source of the complaint. We analysed around 9,000 noise complaints and broke them down into domestic and non-domestic origin.
- (e) Pest infestations: Tower Hamlets is reputed to have one of the worst infestations of rats and mice in London. We analysed data on pest control covering the whole borough; there were some 14,500 visits to properties or 850 a month in the period January 2021 to March 2022 where we found that the biggest problem is mice and rats.
- (f) Housing complaints: We analysed call centre data on housing complaints and hazard notifications and other concerns such as public health issues, damp and mould, fire safety concerns and overcrowding, and a range of others.

- (g) Notices served under part one the Housing Act 2004 to regulate housing standards including enforcement action with regard to identified hazards, improvement and prohibition notices, and notices to disclose information about a property.

Taking each in turn:

(a) Energy performance certificates (EPCs)

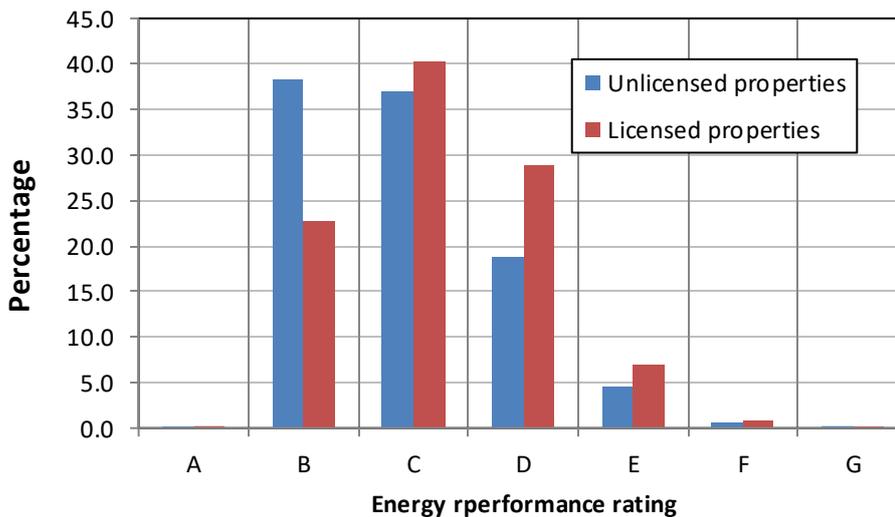


Figure 5: The percentage of Licensed and unlicensed properties by energy rating performance

An EPC certificate is intended to inform potential buyers or tenants about the energy performance of a property, so they can consider energy efficiency as part of their decision to buy or occupy a building. EPC ratings are carried out by accredited assessors. Not all properties have certificates include those that are unsold or empty currently.

The rating scale used ranges from A to G with A being the most energy efficient and G the least. The reason why it has become an important issue is that it is now unlawful for a landlord or agent to rent out a domestic property with a rating of F or G, unless it has a valid exemption.

Currently available Energy Performance ratings cover some 150,000 residential properties in Tower Hamlets. As Figure 5 shows there are marked differences in performance between licensed and unlicensed properties, as can be seen by differences in the percentages within each rating band.

Whilst around 99% of all properties in the dataset are rated E or better, the average rating between licensed and unlicensed properties is about one level lower in the private rented sector. From our analysis not many properties are immediately

affected by the legislation if we focus only on bands F and G – about 1,000 properties of which 131 are licensed.

The indication is that, because uptake is less than 100%, the true number is closer to 1,700 properties of which 225 will be licensed. The enforcement of new EPC rules should not present the Council with any administrative problems under the normal processes of buying and letting properties, but enforcement action should be a consideration. Our database is able to identify these properties as long as they have a certificate.

At the other end of the scale, it is noteworthy that there are still very few properties that are rated A, and there are some 5,300 properties that are rated E, i.e. just outside the regulation. This has implications for the workload of services such as those services provided by Tower Hamlets which include access to grants for insulation and other assistance but we do not comment on this further here.

(b) Service requests

Housing complaints in the form of service requests number about 30 per month on average. As is seen in Figure 6, they tend to be seasonal, peaking in January and dipping between April and September. The data show a slight increase over time based on the last 36 months of data and show no sign presently of levelling off or declining.

Among the 1,071 service requests analysed, where the nature of the request was specified, 80% were related to housing hazards generally but are not broken down by type, 18% to general complaints about an HMO and 2% to overcrowding. The data also appear to suggest that two thirds of all requests are generated by HMOs, and only one third by Selective licence holders.

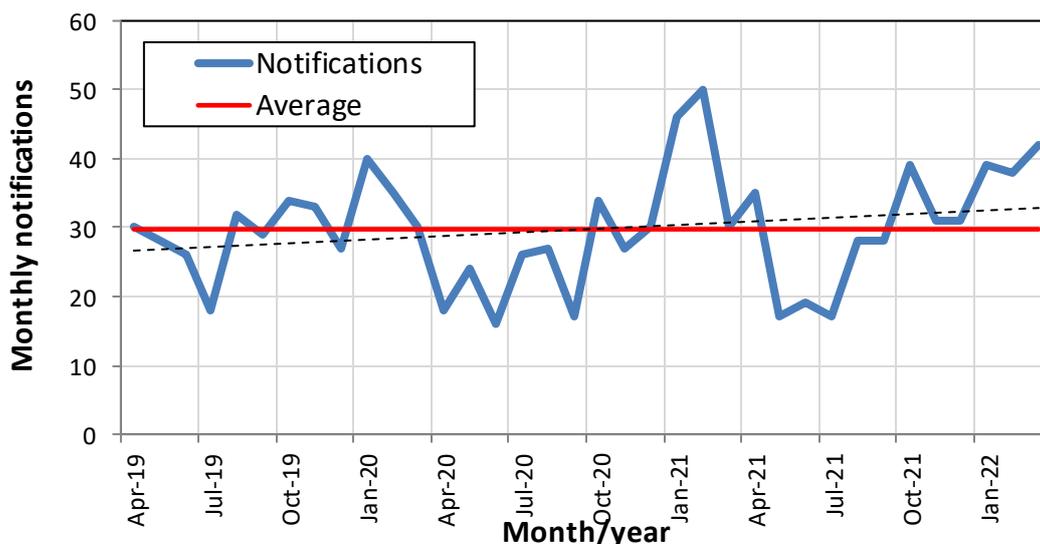


Figure 6: PRS service requests including trend

(c) Warning letters

At roughly six month intervals the Council sends out warning letters to addresses in the borough. These letters, sent to individual addresses or to batches of addresses, are to notify the occupants about re-cycling garden waste, fly-tipping or other concerns. However, it was not possible to unpick whether these were to licensed or unlicensed addresses.

Nearly five hundred letters were sent out to 3,100 addresses in the three years to March 2022. Half of these concerned garden waste and 8% fly-tipping but the rest are undisclosed specific warnings. The number of letters dispatched has been increasing over time by about one a month each letter being sent to three addresses on average.

There is a small correlation with the size of the PRS in each ward and the number of letters issued, but the ward that stands out by far is Whitechapel which accounts for 31% of all addresses to which letters were addressed. There is probably a simple explanation for this e.g. the number of businesses in the area and so any link with the PRS is probably coincidental. Since Whitechapel is mainly a Selective licensed area, there is no suggestion that Additional Licensed properties are particularly implicated.

(d) Domestic noise complaints

Data provided showed that there were about 9,000 noise complaints to the council based on two years of data to 2022 March 2022. Of these 59% are domestic in nature covering mainly loud music which accounted for about 85% of the total but also barking dogs, alarms sounding off, shouting and banging, and home alterations. Other complaints were related to other settings such as building work or general street noise.

We analysed to what extent domestic complaints were generated by licensed addresses which are a subset of all addresses, numbering around 11,000 properties. We found that there were over 900 complaints in the period - or 4.5% of all licensed properties; this compared with an all-property rate of 3.6% and so higher. Overall as Figure 7 shows, the absolute number of complaints appears to be falling over time.

To some extent this is a likely effect of the licensing because of the penalties faced by landlords for which this is a condition of the licence. The Environmental Protection Team has developed a noise reduction strategy with the Health and Housing Team which appears to have been effective. Where properties have a licence in place the team works to share information on noise reports from private rented properties.

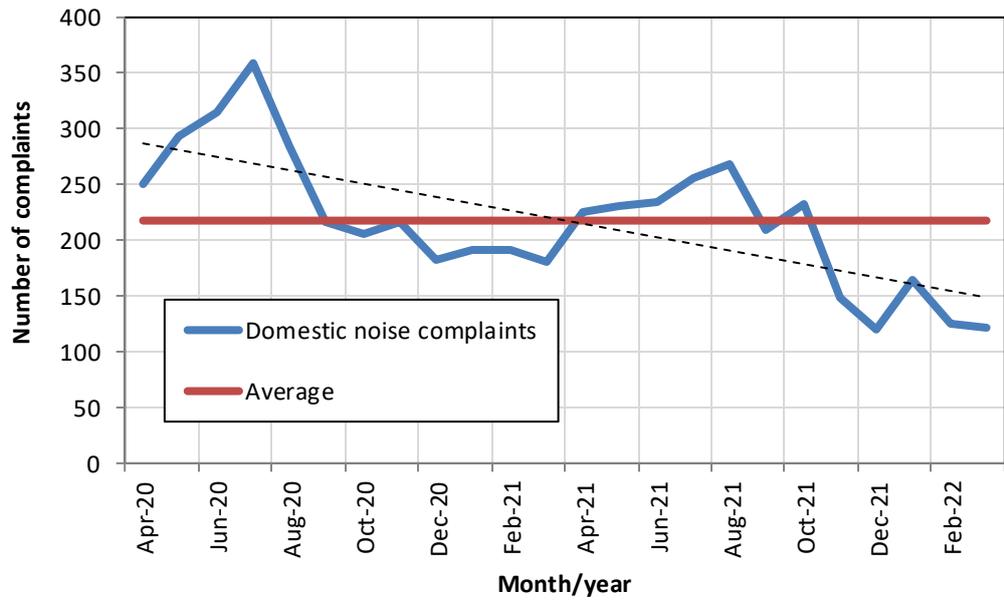


Figure 7: The monthly pattern of noise complaints including trend

Figure 8 is a map showing the density of domestic noise complaints across the borough. The areas of the borough most affected will reflect the density of housing but also, as we later show, the number and types of licences issued. Weavers and Whitechapel which are in Selectively licensed wards also have a large number of Mandatory HMOs and are particularly affected as also is Bethnal Green East.

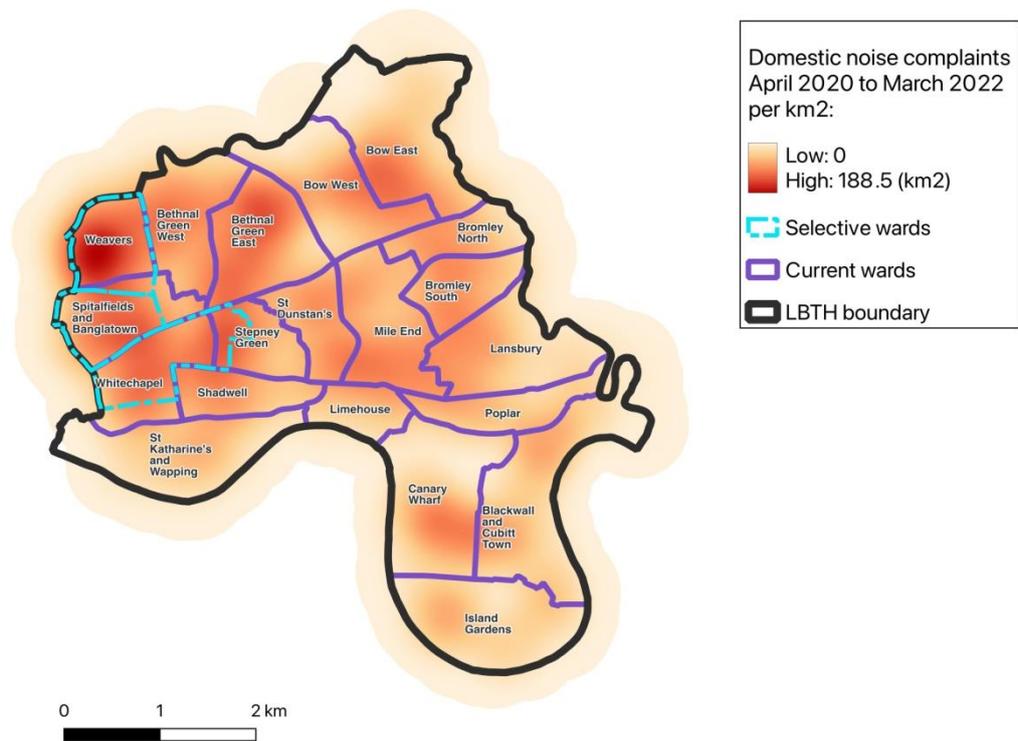


Figure 8: Density of domestic noise complaints

(e) Pest control visits

Tower Hamlets data on pest control visits highlights a serious borough-wide problem especially with infestations of mice and rats. Table 1 shows that problems with mice and rats tend to dominate with insect infestations falling some way behind. Based only on the most recent data it seems that the number of visits has been increasing over the last 18th months.

It is fairly well known that the infestations of rats and mice in Tower Hamlets are among the worst in London. Most residents pay the Council for the service, but for tenants of some social landlords the service is provided at no direct cost. As we show later in Table 2, the free service explain why visits to social housing tenants are considerably higher than in the private sector.

Pest type	Visits	% of visits
Mice	6,904	49.14
Rats	4,484	31.91
Bed-bugs	1,084	7.71
Cockroaches	820	5.84
Pharoah ants	371	2.64
Other	838	2.76
Total	14,501	100.00

Table 1: Pest control activity in Tower Hamlets

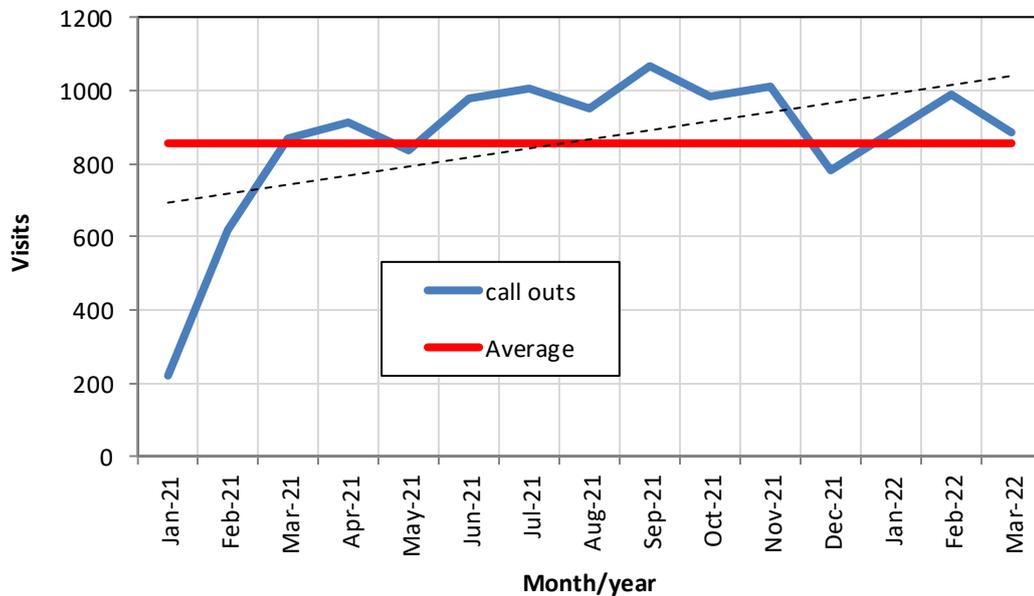


Figure 9: Pest control call outs between January 2021 and March 2022 including trend

Figure 9 shows an upward trend in pest control call-outs in the previous 18th months; however, a longer period of data is needed to know if this was affected by the pandemic.

(f) Property conditions

We analysed call centre data that focused on property conditions or housing complaints. We split them into four categories - calls regardless of tenure type, calls concerning any PRS property, calls regarding licensed properties, and calls if the property had an Additional licence.

Overall calls to the call centre accounted for around 4% of all residential properties; among the PRS generally, the rate was 7.3%; among licensed properties 14.8%; and among Additional licensed properties it was 18.5%, and so considerably higher.

The categorisation of calls shows a spread of mostly individually small issues which do not amount to systemic concerns about property risk. Some of this due to calls being classified under headings such as general complaints or general hazards, which is obviously not very illuminating.

The chart in Figure 10 is for Additional licensed properties only. It shows average complaints running at about 15 per month but also very slightly declining over time. It is important to note these are licence holders in March 22, none of whom would have been licensed in April 2019 when the scheme started.

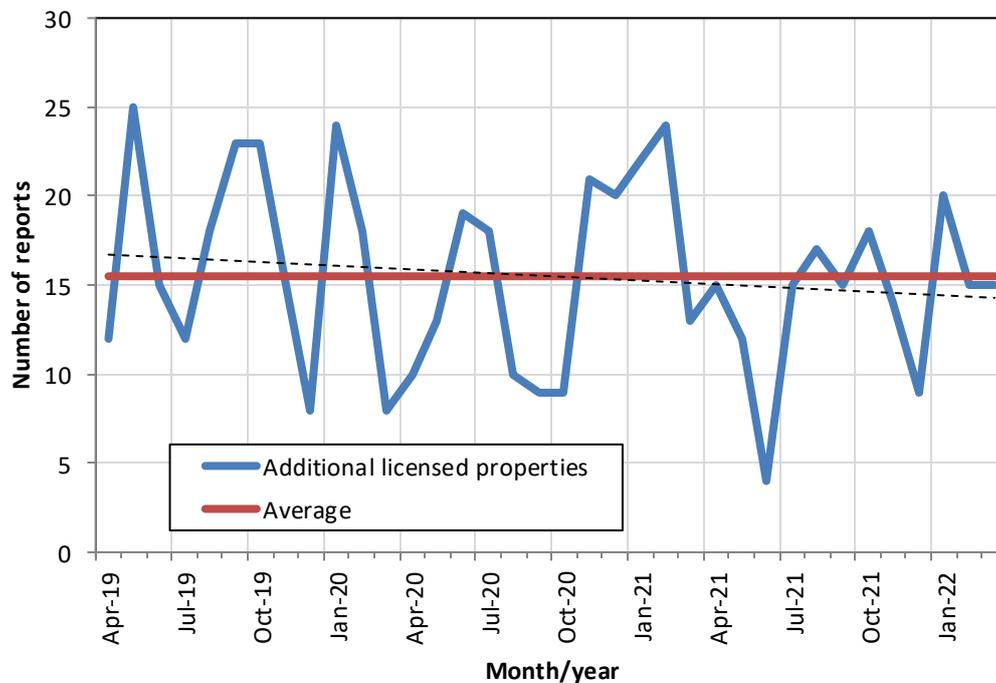


Figure 10: Call centre activity pertaining to Additional licensed properties including trend

What we are probably seeing therefore is the evolution of the scheme as the licensing regime takes effect, potentially leading to fewer hazard notifications or complaints into the future. The next section shows that, at ward level, the number of calls is more highly correlated with the wider PRS as a whole.

It is telling that 32% of all calls from an Additional licensed property refer to hazards as compared with 41% in the whole of the PRS. Proportionally more calls are complaints; the sector also attracts more queries about rogue landlords and deposit repayment inquiries. The level of engagement could be a sign that and the scheme is working and that problems are being addressed as they arise.

(g) Notices served

In this case our data go back to October 2016 as shown in Figure 11. The important point to note here is the lull in activity from February 2020 until October 2021 which largely corresponds with the lockdown period and other restrictive working conditions during the pandemic.

It is probable that this is a contributing factor to the processing of applications for Additional licences although this has not been investigated in detail. However, the chart shows that the number of notices being served increased after October 2021 and is now above the five year average of 20 notices a month.

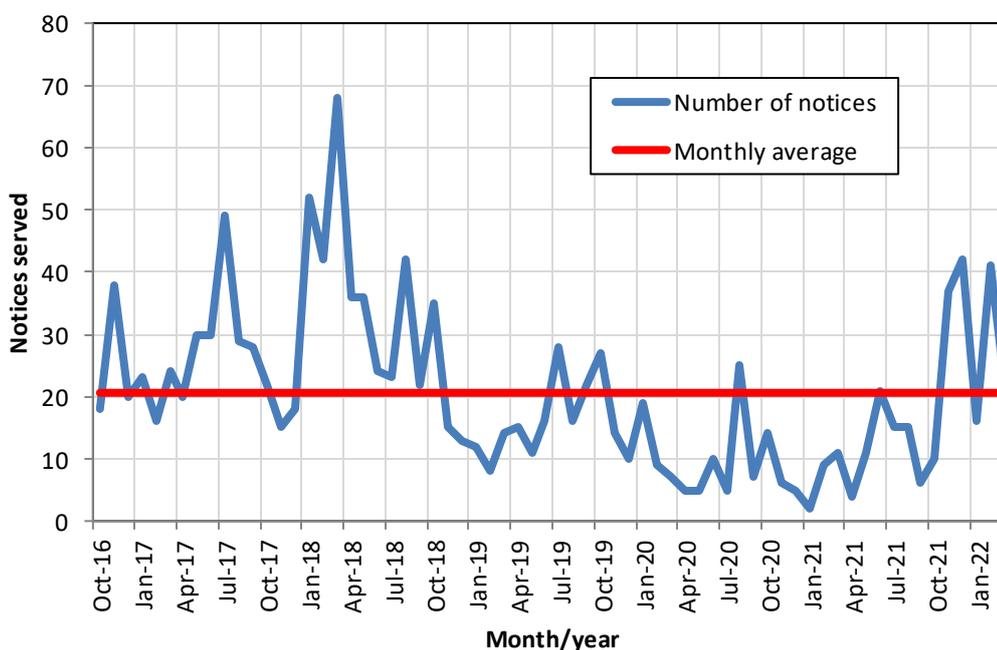


Figure 11: Monthly improvement and prohibition notices issued

5. Summary of evidence

An effective way to summarise these findings is by comparing some of the above by tenancy and licence type. Table 2 (a) and (b) shows the percentages of social housing,

private housing and the PRS affected by each of call centre complaints, domestic noise complaints, housing hazards, pest control visits, and prohibition and improvement notices.

All figures are expressed as a percentage of the number of dwellings in each tenancy or licence category – these numbers are shown in the rightmost column. For example Table 2a shows that 3.3% of 102.7 thousand private dwellings were subject to call centre housing complaints and 1.6% to noise complaints.

Caution is needed however, because for example housing complaints in social tenancies will tend to be channelled through housing associations and so the picture is not entirely balanced. The fairest comparison is probably domestic noise complaints where the PRS is more culpable than either of the private sector or social housing.

Tenure	Call centre housing complaints	Domestic noise complaints	Housing hazards	Pest control visits	Notices served	Base ('000s UPRNs)
Social housing	1.0	1.8	0.2	7.9	0.1	41.4
Private housing	3.3	1.6	0.8	1.6	0.5	102.7
PRS	5.8	2.4	1.4	2.5	0.9	42.7

(a)

Tenure	Call centre housing complaints	Domestic noise complaints	Housing hazards	Pest control visits	Notices served	Base ('000s UPRNs)
Mandatory licence	25.6	10.1	7.2	4.6	7.2	0.7
Selective licence	5.4	2.8	1.7	1.7	1.4	7.2
Additional licence	13.5	5.0	3.8	3.0	1.7	5.1
No licence	3.9	1.7	0.8	2.5	0.5	30.7

(b)

Table 2 (a) and (b): (a) percentages of properties affected by the given indicators by tenure type; (b) percentage of the PRS affected by license type

Aside from this caveat, Table 2 shows that:

- Based solely on tenancy type, Table 2(a) indicates that the PRS is most likely to be the subject of housing and noise complaints, housing hazards, and notices served. The only exception is pest control visits which are highest in social tenancies. Social tenancies on the other hand experience fewer complaints overall than the private housing sector and private housing sector fewer than the PRS.
- Table 2 (b) shows that within the PRS, Mandatory licensed HMOs experience the highest rates of housing and noise complaints, housing hazards, notices served and pest control visits. Additional licensed properties experience

slightly lower rates than Mandatory licensed properties and Selective licensed properties the least.

- The lowest rates in every category are among unlicensed PRS properties. Overall, it suggests that the licensing schemes are being generally well targeted and therefore serving their main purpose. However, this does not mean there are no unlicensed properties that should be licensed because they are yet to be identified as HMOs.

A more forensic examination of the Additional licensed sector compares whether they are more likely to be licensed than other PRS properties if they have been subject of a noise, housing complaint, or some other indicator. The argument here is that any of these indicators could shine a light on the properties affected which then attracts the attention of the relevant authorities.

Table 3 is an audit of 43.7k potential PRS properties according to whether they are recipients of a noise or housing complaint, a housing hazard has been identified or a notice has been served. The right-most column shows the percentage of properties in each risk category that are licensed which are ranked from highest to lowest risk. The column totals show the number of complaints made, hazards identified or notices served.

Most of the risk categories are quite small as measured by the number of properties affected seen in column two - for example, there are 96 properties in row one which are subject to noise and call centre housing complaints. Of these 41.7% are Additional licensed HMOs. Moving down the categories to row ten, this has no risk factors and is easily the biggest group with 40.2k PRS properties, of which 10.5% are licensed.

It basically means around 3,500 properties do present a management problem to a greater or lesser extent. Further analysis shows that properties are 2.9 times more likely to have an Additional licence if they are the subject of a call centre complaint, 2.3 times if a noise complaint, 1.4 times for housing hazards, and 1.1 times if a notice has been served. Again this suggests the scheme is capturing a majority of the at risk properties with the greatest number of problems.

Category	Number in category	Domestic noise complaint	Call centre housing complaint	Housing hazard	Housing notice served	% Additional licence
1	96	Y	Y			41.7
2	509		Y	Y		33.4
3	15	Y	Y		Y	33.3
4	39	Y	Y	Y		33.3
5	45		Y	Y	Y	31.1
6	1606		Y			25.8
7	143		Y		Y	25.2
8	857	Y				23.1
9	146				Y	19.2
10	40215					10.5
11	22	Y			Y	9.1
total	43701	1036	2460	601	378	11.7

Table 3: Risk ladder showing the percentage probability of PRS properties holding an Additional licence

5.1 Summary impact by ward

In this section we compare the wider PRS at ward level using the indicators analysed in the previous section. Essentially we wish to know whether being part of the PRS is correlated with more reports of hazards, warning letters and so on.

Because our unit of analysis is wards, the results will show whether there are certain wards skewing the direction and magnitude of correlations. If the answer that comes is there is a correlation, we can reasonably assume that the PRS is not as well managed as other tenancies.

The relevant measures are set out in the columns of Table 4. Each ward is ranked from one to twenty according to whether it likely to experience more than other wards on each measure, with rank one being most affected and twenty least affected.

For example, Bethnal Green East has the sixth largest PRS out of 21 wards. Moving from left to right it is tenth on pest control but fifth if measured on housing hazards and 9th on notices served.

The final column headed rank of ranks combines all the measures from left to right into one single indicator. For example, we observe that Whitechapel scores a value of one and so is the most affected; Bethnal Green West is second most affected and Limehouse, ranked twenty, is least.

To understand the size of the effect of each indicator on the both categories, the last row of the table give the level of correlation. This ranges from -1 (strongly negatively

correlated) to +1 (strongly positively correlated) with various different management issues affecting the PRS.

This is the same as the method used in our 2019 review. The results show that some indicators are more correlated with the PRS at ward level than others as would be expected. Overall the results show that wards which are high in PRS properties are more likely to suffer management problems:

For example:

- The pattern of reported housing hazards indicates a +0.68 correlation with the PRS indicate there are more housing hazards needing attention in the affected wards than others.
- Energy performance certificates (EPC) graded F or G means that the affected properties are illegal and need improvement. While they are few in number overall results show there is a +0.78 correlation with the PRS.
- We also find that noise complaints are more likely to be correlated with the wider PRS (+ 0.66) and also call centre complaints (+0.68). There is also a positive correlation (+0.46) between the PRS and the number of improvement notices issued.
- Other indicators show no particular association with private renting, such as garden waste - possibly as the PRS has fewer gardens. With regard to pest control we have already noted that this affects private sector housing more than the PRS.

No	New ward	Rank PRS	Pest control	Housing hazards	EPC grades F&G	Domestic noise complaints	Call centre complaints	Warning letters	Notices served	Rank of ranks
1	Bethnal Green East	6	10	5	9	2	3	10	9	5
2	Bethnal Green West	14	7	6	6	4	7	2	4	2
3	Blackwall and Cubitt Town	2	18	1	1	7	2	15	12	8
4	Bow East	8	14	11	5	6	8	6	14	9
5	Bow West	13	8	15	16	9	11	8	15	14
6	Bromley North	19	15	17	17	18	18	13	19	18
7	Bromley South	15	11	18	12	14	17	17	16	16
8	Canary Wharf	4	20	8	2	13	14	17	11	15
9	Island Gardens	10	16	7	11	11	9	12	12	13
10	Lansbury	11	1	2	7	12	6	5	6	4
11	Limehouse	18	17	20	19	20	20	17	17	20
12	Mile End	9	2	4	3	5	3	13	6	2
13	Poplar	20	12	18	20	19	19	15	19	19
14	Shadwell	17	6	12	15	17	10	9	8	11
15	Spitalfields and Banglatown	3	5	8	10	8	5	10	2	5
16	St Dunstan's	12	13	14	12	10	13	3	9	10
17	St Katharine's and Wapping	5	19	16	8	16	16	17	17	17
18	Stepney Green	16	4	13	18	15	15	7	5	11
19	Weavers	7	9	10	14	1	12	1	3	7
20	Whitechapel	1	3	3	4	3	1	4	1	1
	Correlation with	Whole PRS	-0.05	0.68	0.78	0.66	0.68	0.09	0.46	0.53

Table 4: Ward ranks based on outcome measures and their correlation with the size of the Private Rented Sector in each ward
(Note: 1=highest rank or most problematic, 20=lowest rank or least problematic)

- The overall correlation between the above indicators shows that it is strongly positive (+0.54) with respect to the whole PRS. It may be safely concluded that there is still PRS work to be done and issues to be managed.

We can also look at the shift in ranking since our review of Selective Licensing at a similar point in time – although indicators then were supplemented with data on anti-social behaviour and crime. Notwithstanding this caveat, the wards that have become more problematic are Mile End which has moved from 8th to 2nd place, Lansbury 9th to 4th place, Blackwall and Cubitt Town 18th to 8th place, and Island Gardens from 17th to 13th place.

6. Conclusions

Additional Licensing was launched in April 2019, since then 5,050 licenses have been issued by the end of September. This autumn marks 18 months left in the five-year cycle for which this report is designed to review progress so far against the scheme's objectives and to consider its extension for another five years.

The purpose of Additional Licensing is intended to help the council tackle poor management, poor housing conditions and overcrowding in HMOs not subject to Mandatory licensing which is far smaller in scope in terms of the number of properties affected.

The benefits to the council of the scheme are that landlords are required to engage with it and that they in turn will receive information and support. An inspection system helps to identify problems with strong powers to prosecute poorly maintained properties or non-compliant landlords.

The powers include revoking licences and issuing heavy fines for illegal transgressions and failure to remedy problems, landlords evading taking out a licence when they should, and protection for tenants such as a deposit refund scheme and rent rebate scheme for failing to take out a licence.

What we have seen is a rapid rise in the take up of licences in the first 18th months of the scheme followed by a tailing off. Whilst the number of licences issued exceed the number of Selective licences taken up at the same stage, there are signs that take-up may be levelling off prematurely.

It is arguable that an Additional Licensing Schemes is more difficult to administer than Selective Scheme where a licence applies to all privately rented properties in an area which are not Mandatory HMOs. This helps to explain processing delays which take around twice as long as for other types of licence and the recent tailing off.

There is some evidence that these delays were exacerbated by the need for tighter working practices during the pandemic, by the lockdowns and home working. The most recent data appears to show an up-turn in applications which is encouraging, but there is no easy way to determine if a peak has been reached.

We have estimated that there are approximately 43,000 PRS properties in Tower Hamlets of which some 30% have one of the three licence types. That leaves some 30,000 which are unlicensed but whether and how many are HMOs is impossible to verify without more data on the number of occupants.

However, the evidence shows that Additional Licensing has been effective in establishing take-up among the more high risk HMOs. For example, we saw that properties are much more likely have an Additional licence if they have been reported for call centre or noise complaint, housing hazards, or if an improvement notice has been served.

There was also positive correlation at ward level between the size of the PRS and various different management indicators. These showed that the PRS shared generic problems and that these were not necessarily ward-specific or the result of local factors which, together, support the need for licensing.

We also observe that there has been a fall in domestic noise complaints over the past two years, but the seasonal pattern and trend in other activity such as service requests or complaints have been fairly steady. The number of prohibition and improvement notices issued has increased in recent months, after a lull probably caused by the pandemic.

Rent repayment orders allows tenants to reclaim 12 month rents from a landlord that fails to have a licence to tenants or for some other offence. The amount reclaimed since 2019 is impressive and acts to curb some of the worst excesses in the sector.

There is arguably scope to do more especially when used in conjunction with other tools such as the issuing of Fixed Penalty Notices to Landlords for various misdemeanours. However, their application is not straightforward, they are difficult to co-ordinate and take months/years to finalise, whilst prosecutions are expensive and time consuming.

Overall however, whilst Additional Licensing is clearly making a difference, there is a sense that more needs to be done to extend the scheme and improve take-up whilst reducing administrative delays. Using the data assembled for this review, which includes a list of all potential PRS properties to write to, asking them to check if they must be licensed. Our main recommendation therefore is that the scheme be extended Borough wide and for a further five years from 2024 but that the scheme is adequately resourced.

Annex A: Tenancy by ward under old and new boundaries

Annex B: Estimated size of the PRS by ward based on administrative data

No	Ward name (old boundaries)	Social housing (A)	Private (B)	<i>of which PRS (est.)</i>	Total (A+B)
1	Bethnal Green North	2,520	3,730	1,812	6,250
2	Bethnal Green South	2,115	3,783	2,110	5,898
3	Blackwall and Cubitt Town	2,635	14,730	4,067	17,365
4	Bow East	2,656	6,886	2,578	9,542
5	Bow West	2,103	3,322	1,747	5,425
6	Bromley By Bow	3,688	5,217	2,103	8,905
7	East India and Lansbury	3,699	4,456	1,782	8,155
8	Limehouse	2,615	5,815	2,615	8,430
9	Mile End and Globe Town	2,214	3,678	1,965	5,892
10	Mile End East	3,110	3,714	1,705	6,824
11	Millwall	2,388	15,484	4,559	17,872
12	Shadwell	2,314	4,157	1,911	6,471
13	Spitalfields and Banglatown	1,187	3,895	2,513	5,082
14	St Dunstons and Stepney Green	2,909	4,176	2,107	7,085
15	St Katharine's and Wapping	1,644	6,857	2,158	8,501
16	Weavers	2,248	4,310	2,711	6,558
17	Whitechapel	1,385	8,455	5,258	9,840
	Total	41,430	102,665	43,701	144,095

No	Ward name (old boundaries)	Social housing (A)	Private (B)	<i>of which PRS (est.)</i>	Total (A+B)
1	Bethnal Green East	2,937	4,888	2,615	7,825
2	Bethnal Green West	3,203	5,255	2,679	8,458
3	Blackwall and Cubitt Town	1,629	12,263	3,247	13,892
4	Bow East	2,656	6,886	2,578	9,542
5	Bow West	2,103	3,322	1,747	5,425
6	Bromley North	2,396	2,864	1,027	5,260
7	Bromley South	2,074	3,525	1,583	5,599
8	Canary/Wharf	1,418	11,473	2,801	12,891
9	Island Gardens	1,713	4,848	2,168	6,561
10	Lansbury	3,728	5,144	2,118	8,872
11	Limehouse	548	2,826	1,043	3,374
12	Mile End	3,612	4,779	2,231	8,391
13	Poplar	1,109	2,588	920	3,697
14	Shadwell	2,199	2,674	1,376	4,873
15	Spitalfields and Banglatown	1,557	4,673	2,889	6,230
16	St Katharine's and Wapping	1,015	6,234	1,991	7,249
17	St/Dunstan's	1,862	3,085	1,595	4,947
18	Stepney/Green	2,145	2,432	1,407	4,577
19	Weavers	2,102	4,147	2,605	6,249
20	Whitechapel	1,424	8,759	5,081	10,183
	Total	41,430	102,665	43,701	144,095

No.	Ward name (old boundaries)	HMO licences	Additional licences	Selective licences
1	Bethnal Green North	14	356	4
2	Bethnal Green South	23	446	8
3	Blackwall and Cubitt Town	102	494	1
4	Bow East	28	252	0
5	Bow West	47	397	0
6	Bromley By Bow	19	341	3
7	East India and Lansbury	32	324	1
8	Limehouse	30	406	1
9	Mile End and Globe Town	29	404	1
10	Mile End East	47	349	1
11	Millwall	132	478	1
12	Shadwell	17	288	3
13	Spitalfields and Banglatown	38	6	1,737
14	St Dunstons and Stepney Green	48	322	2
15	St Katharine's and Wapping	12	249	3
16	Weavers	25	14	1,718
17	Whitechapel	52	8	3,747
	Total	695	5,134	7,231

No	Ward name (new boundaries)	HMO licences	Additional licences	Selective licences
1	Bethnal Green East	44	505	2
2	Bethnal Green West	15	538	6
3	Blackwall and Cubitt Town	76	385	1
4	Bow East	28	252	0
5	Bow West	47	397	0
6	Bromley North	14	145	2
7	Bromley South	11	244	1
8	Canary/Wharf	23	276	1
9	Island Gardens	130	267	0
10	Lansbury	35	363	1
11	Limehouse	3	135	0
12	Mile End	57	450	2
13	Poplar	13	161	0
14	Shadwell	16	219	3
15	Spitalfields and Banglatown	40	51	1,782
16	St Katharine's and Wapping	11	232	0
17	St/Dunstan's	37	265	0
18	Stepney/Green	29	177	353
19	Weavers	24	14	1,678
20	Whitechapel	42	58	3,399
	Total	695	5,134	7,231

