

Appendix 7 – Selective Licensing Scheme Risk Analysis

This risk assessment has been carried out in accordance with the DMBC 5 x 5 Risk Matrix as used on the Covalent Performance Management System where

Impact is risk assessed as being either:

1 Slight

- Loss of a service or delay to project for up to one day
- Objectives of the individual are not met
- No injuries
- Financial loss between £0 – 999
- No media attention
- No breaches in Council working practices
- No complaints/litigation
- Will not affect Audit or Inspection recommendation
- Relationship between council and Partners unaffected

2 Moderate

- Loss of a service or delay to a project for one to four weeks
- Objectives of the Section are not met
- Injury to an employee or member of the public requiring onsite first aid
- Financial loss over £1,000
- Adverse local media attention – Local newspaper report
- Breaches of local procedures/standards
- Unlikely to cause complaint/litigation
- Audit or Inspection notes issues
- Issues between Council and partners can be resolved

3 Significant

- Loss of a service or delay to a project for one to six months
- Objectives of the Service are not met
- Injury to an employee or member of the public requiring medical treatment
- Financial loss over £10,000
- Adverse regional media attention – Televised or newspaper report
- High potential for a complaint litigation possible
- Breaches of regulations/standards

- Audit or inspection highlights areas for improvement
- Major issues between Council and partners affect delivery

4 Major

- Loss of a service or delay to a project for six months or more
- Objectives of the Department/Directorate are not met
- Non-statutory duties are not achieved
- Permanent injury to an employee or member of the public
- Financial loss over £100,000
- Adverse national media attention – National newspaper report
- Litigation to be expected
- Breaches of law punishable by fine only
- Audit or Inspection raises serious issues over effectiveness of service
- Breakdown of confidence between the Council and partners

5 Critical

- An incident so severe that it makes a service or project unavailable permanently
- Strategic objectives set are not met
- Statutory duties are not achieved
- Death of an Employee or Member of the Public
- Financial loss over £1,000,000
- Adverse national media attention – National televised news report
- Litigation almost certain and difficult to defend
- Breaches of Law punishable by imprisonment
- Audit or Inspection highlights service as inadequate
- Council unable to work with partner organisations

Likelihood is risk assessed as being either:

- 1 Very Unlikely
Probability - 1 in 10,000 - 100,000
Historical - May occur, but only in exceptional circumstances
- 2 Unlikely
Probability - 1 in 1000 - 10,000
Historical - Could occur, but doubtful
- 3 Possible
Probability - 1 in 100 - 1000
Historical - Might occur at some time in the future
- 4 Likely
Probability - 1 in 10 - 100
Historical - Will probably occur
- 5 Very Likely
Probability - > 1 in 10
Historical - Is expected to occur in most circumstances

Each risk is assessed in terms of impact and likelihood and an overall risk rating obtained by multiplying the assessed scores. The rating is considered to be either:

- Ok – green and light green on the risk matrix below
- Warning – yellow on the matrix
- Alert – amber and red on the matrix

Risk Matrix

	5	10	15	20	25
4	4	8	12	16	20
3	3	6	9	12	15
2	2	4	6	8	10
1	1	2	3	4	5
					Impact

Risk	Likelihood	Impact	Score	Mitigation	New Likelihood	New Impact	New Score
Landlords legally challenge the decision-making process to implement creating a cost to defend and time delay.	3	4	12	Make sure the decision-making process, particularly the consultation is correct to not encourage a legal challenge. Also need to have an effective communications strategy. That said landlords may still mount a challenge. Estimated costs to defend a challenge are circa £30k.	2	4	8
Residents/tenants challenge the decision-making process to implement.	2	4	8	Unlikely as they are obvious beneficiaries of such schemes. Make sure the decision making process, particularly the consultation is correct. Also need to have an effective communications strategy.	1	4	4
A small number of landlords don't apply for/obtain a licence.	4	2	8	As a deterrent the courts can fine up to £20k for non-application or continuing to operate after being refused a licence. In terms of landlords applying but being refused they would have to vacate the property meaning it becomes empty (covered as another risk, further down) or find a suitable managing agent. As a further deterrent the Council would have to prosecute swiftly and publicise the fact.	3	2	6
A medium number of landlords don't apply for/obtain a licence.	3	3	9	As above.	2	3	6
A significant number of landlords don't apply for/obtain a licence.	2	4	8	As above.	1	4	4
A significant number of conditions are breached.	3	3	9	As a deterrent the courts can award an unlimited fine per breach. Again, the consultation and communications strategy are critical here. It is also critical that enforcement is firm but fair and publicised.	2	3	6

Risk	Likelihood	Impact	Score	Mitigation	New Likelihood	New Impact	New Score
The aims of the scheme are not met, i.e. ASB is not reduced.	3	4	12	Everybody has to commit to this and take ownership to ensure the aims are met. Again, the consultation and communications strategy are critical. Moreover the experience of other authorities is very interesting in terms of commitment to this, compared to perception and overall success, i.e., those that fully commit and do not waiver have the best reports of success.	1	4	4
Relationships between Council and landlords breakdown.	3	3	9	Everybody has to commit to this and take ownership to ensure relationships do not breakdown. Yet again, the consultation and communications strategy are critical along with effective implementation.	2	3	6
Rents go up to cover extra costs of scheme.	3	5	15	This couldn't happen immediately as most tenants will have tenancy agreements, however on renewal, rents could go up. If tenants cannot afford to stay this may increase homelessness but the rental market may mean landlords would have to be sure they could replace these tenants with others. Landlords will also be paying 100% Council Tax, 150% after two years, for an empty property so they will have a commercial incentive to receive a rent. There is not a lot we can do to mitigate this risk as this is decided by landlords so the consultation and communications strategy are important.	2	5	10
Landlords displace bad tenants to areas outside the scheme rather than manage them better within the scheme area.	3	4	12	There is difficult to control. We can't deal with ASB outside the scheme area as robustly as we can within the scheme area so it might lead to other areas being designated if this proves successful. We could however give priority attention to displaced offenders, otherwise there is no mitigation.	2	4	8

Risk	Likelihood	Impact	Score	Mitigation	New Likelihood	New Impact	New Score
Landlords sell properties and move out of the area.	2	2	4	This has been threatened by a couple of landlords but we were warned by other LAs this would happen. Not really the experience of other LAs and if new purchasers are landlords then they will be in the scheme. If not, the percentage of owner occupancy increases and with it the stability of the community.	2	2	4
Landlords abandon properties and engagement and even move out of the area leaving properties empty.	3	3	9	Yet again there is difficult to control but the need to receive a rent along with the disincentive of full Council Tax on empty properties should ensure this does not happen on a large scale.	2	3	6
Illegal evictions, empty properties and homelessness increase.	3	4	12	Not really the experience of other LAs but if this does happen we need to be firm on dealing with the illegal evictions. In terms of empty properties and homelessness, St Leger Homes are aware of the increase in management responsibility they may have and we could force the sale of an empty property if it is causing us continued problems. We will continue to work with landlords and tenants to prevent homelessness.	2	4	8
The resources required to run a successful scheme are more than anticipated due to poor co-operation from landlords and/or tenants.	4	4	16	This has certainly been the experience of some other LAs, but not all, due to the lack of co-operation from landlords and additional staff needed to work on the issues raised. The licence fee proposed in the consultation will allow for processing the licence and monitoring compliance. Any further funding required will need another approval at the time and/or scrutiny of management and operational practices.	2	5	10
There is an increase in non-licensable HMOs outside of Edlington, so landlords can maximise their rental potential. (They will still be licensable within this scheme but not when the scheme ends, according to the latest criterion for licensing).	3	3	9	This would take investment and time and will not appeal to all, however there is little we can do at this stage to mitigate this risk. We could introduce further additional licensing schemes to cover all HMOs if this becomes a problem.	2	3	6

Risk	Likelihood	Impact	Score	Mitigation	New Likelihood	New Impact	New Score
Margins are so tight for landlords that the £515 licence fee forces them out of business.	3	2	6	This has been threatened by a few landlords and we were warned by other LAs this would happen. Not really the experiences of other LAs. The Act states we must consider that any proposed management structures and funding arrangements are suitable before we can issue a licence. It is clearly a concern therefore if landlords claim they do not have any financial means of paying the fee, as this would suggest they also do not have the financial means to satisfactorily manage the property (e.g. carrying out repairs and maintenance). This equates to under £2 per week or 2% of the rental income over 5 years based on rent at £400 per month, compares favourably with other licence fees we charge and against the fees of other LAs running such schemes. Any doubting landlords at the outset could be persuaded with a well-run scheme enforced appropriately.	2	2	4
Rather than the finances forcing them out of business the regulation and control of licensing may force some landlords to sell up.	3	2	6	There has been little evidence of this through the consultation. Again, any doubting landlords at the outset could be persuaded with a well-run scheme enforced appropriately.	2	2	4
Mortgage companies refuse to lend in selective licensing areas stifling regeneration.	3	2	6	Not the experience of other Local Authorities (bearing in mind selective licensing is on the increase). Would need to meet with mortgage companies and explain the purpose of selective licensing as if it is explained and understood, it is feasible that mortgage companies would prefer to lend in such areas that have controls introduced to help in the regeneration of the area.	2	2	4