

OXFORD CITY COUNCIL

EXECUTIVE BOARD – 20th February 2006
HOUSING SCRUTINY – 25th January 2006

Report of: Business Manager, Environmental Health

Title: Mandatory HMO licensing Fee Structure

Ward: All

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Key Decision: Yes

Lead Member: Councillor Turner

Scrutiny responsibility: Housing

RECOMMENDATIONS

That the Executive Board agrees to:

1. Set the fee for mandatory HMO licensing to £800 per 5 unit/person HMO for an assisted licence application and for a non- assisted licence to £700 per 5 unit/ person HMO.
2. Set the fee for each additional unit of accommodation above the 5 unit threshold to £20 per unit, subject to further guidance.
3. Consider the recommendation made by the Housing Scrutiny Committee, set out at Appendix 2.

1 Summary

- a) This report sets out the fees for mandatory HMO licensing which are to be introduced by the Housing Act 2004.

2. Council's Vision and strategic aims

- a) The Council is committed to improve the environment in which we live and work. The provisions within the Housing Act 2004 regarding HMO licensing will go towards achieving this aim by raising living standards within the city.

3. Background

- a) The Housing Act 2004 has introduced a national HMO licensing scheme, which is mandatory for all 3 storey HMOs occupied by 5 or more unrelated persons. Such HMOs will require a licence from the City Council to operate.
- b) The legislation will be introduced on the 6th April 2006.
- c) Reports will be presented later in 2006 in relation to the proposed additional discretionary HMO licensing scheme.

4. HMO Licensing Fee Structure

- a) Initially the Council was under the impression that the fees would be prescribed by Government as they had been in previous HMO registration schemes and recent Liquor Licensing. However, in September 2005 the Government decided that it was not going to prescribe licensing fees and that it was for Local Authorities to decide upon a fee structure.
- b) Any fee charged must be reasonable and only cover the cost of the licensing scheme.
- c) Income from the licensing fees will not cover the cost of action taken under the housing, health and safety rating system (HHSRS) or any other work. The Government is envisaging that the majority of the enforcement work will be carried out using the HHSRS. However there will be some enforcement action within the licensing scheme for non - compliance with conditions and failing to licence.
- d) At the end of January 2006, the Local Government Association is proposing to publish a toolkit to help Local Authorities set their fees. However to comply with this Council's democratic process the fees have had to be proposed in advance of it's publication. Provided that the toolkit is received on time, it will be possible, by the date of the meeting, to provide any update required.
- e) The fees have been calculated as £800 per 5 unit HMO, with a charge of £20 per additional unit of accommodation. This fee is for a 5 year period and equates to £2.66 per room per month. (See Appendix 1). This calculation does not provide for development of the scheme (the proposed fee may therefore change)
- f) At the time of writing most local authorities have not set or published their fee levels, however through informal discussions there appears to be a likely range of fees from £400 through to £1000 per 5 room HMO.

- g) The period of licensing can be theoretically reduced by the Council, from the maximum 5 year period. This would mean, in practice, that the annual number of licences/inspections would be increased. This would be impractical for the city and would result in significant extra resources being required. It is not proposed that this approach be followed.
- h) At the recent Landlords Forum, attendees were asked if they would be in favour of discounts in exchange for a complete application (thereby reducing the City council's input). There were only 7 responses to the request however all 7 were in favour of a discount for a prompt and complete application.
- i) It is therefore proposed that there will be two rates for HMO licensing to reflect the level of input required.
- j) The fully assisted route – the fee for this licence would be £800, plans would be produced for the landlord and help would be given to complete the application process. This higher fee would also be charged where the HMO failed to meet minimum standards.
- k) The non- assisted route - the fee for this would be £700, the landlord would supply all the information required including layout plans and the property would be maintained at minimum standard or above. This would go towards encouraging good landlords to come forward to have their properties licensed.
- l) Standard conditions will be applied to the licensed HMOs in relation to gas safety, electrical safety and smoke detection. Conditions can also be applied in relation to the management, use and occupation of the HMO. However the Government has made it clear that licensing should be separate from the inspection regime so in practice this will mean that HMOs requiring a licence will be risk assessed and inspected in priority.

5 Financial Implications

- a) It is expected that there are approximately 1000 HMOs which will require a licence over the 5 year period of the licensing scheme.
- b) Experience in the previous HMO registration scheme showed that some landlords letting practices changed in order to avoid registration and therefore income fell short of the target quite considerably. It is clearly too early to see if HMO licensing will have the same effect, but any fee income must be put towards the costs of operating the scheme.

- c) It was initially assumed that the new mandatory HMO licensing scheme could be fully covered by existing resources. However as the scheme has developed it has become apparent that some additional resources will be required, which will be funded from the fee income. Therefore there will be no additional cost to the Council in implementing mandatory HMO licensing.

7 Appendices

- a) Appendix 1 – Calculations for Cost of HMO licence
- b) Appendix 2 – Housing Scrutiny Committee recommendations

THIS REPORT HAS BEEN SEEN AND APPROVED BY:
Portfolio Holder: (Cllr Turner -Housing)
Legal and Democratic Services: (Jeremy Thomas/Jeremy King)
Financial Management: (Andy Collett)

Appendix 1 - Licensing Costs

Table 1 **Cost of HMO licensing (at 05/06 rates)**

Hours available (3.2FTE)*	Basic Salary cost	On-costs	Gross Costs	Hourly Rate
4264	£102,800	£50,794	£153,594	£36.02

**This is built up from a number of officers who will be dealing with the Licensing function across the service*

Table 2 **Time to licence**

per annum	Hours
Basic licence (as per table 3)	2400
Work associated with abortive visits etc	480
General HMO licensing queries	200
Follow up visits in future years	400
Debt Recovery	100
Enforcement (non compliance and not licensing)	400
Publicity (including landlord forums etc)	200
	4180

Cost per HMO

Assume 200 HMOs per year licensed therefore 20.9 hours per HMO

Using hourly rate of £36.02 - cost per HMO £752.82

Adjust for 5 year inflation - £795.68

Cost per assisted HMO licence for 5 unit HMO is £800.00

Assume for non assisted licence - 17.9 hours @£36.02 – cost per HMO is £644.76

Adjust for 5 year inflation - £689.68

Cost per non-assisted HMO licence is £700.00

Additional Rooms

Assume 1/2hour per room = £18.01

Therefore cost per additional room is £20.00

Table 3 **Breakdown of time taken to licence property**

Activity	Average time taken (hours)
Information/advice re to licence applicant	1.0
Log enquiry onto database	0.25
Acknowledge and receipt application form and fee	0.50
Make up file and update file and file index	0.50
Log particulars onto database and update with details of licence	0.50
Prepare memo to consultees	0.75
Prepare consultation and risk assessment for Fire Service	1.0
Examine certificates and paperwork received with application and arrange visit	1.0
Verification visit to check on details received and determine priority under HHSRS	2.0
Prepare licence documents	1.5
Prepare Plans	2.0*
Prepare discretionary Conditions	1.0*

(* not required in non-assisted route)

Total Time taken for assisted licence 12 hours

Time taken for non – assisted licence 9 hours

Appendix 2

Housing Scrutiny Committee Recommendation

The Housing Scrutiny Committee considered the HMO Licensing Fee Structure report at its meeting on 25th January 2006 and made the following recommendation:

- The Housing Scrutiny committee does not wish to see properties owned by registered charities charged as part of the Scheme. It was suggested that information relating to properties held by registered charities be submitted to the Executive Board by the Environmental Health Business Manager to enable them to consider this request with the necessary information available.

The principle behind this recommendation was that the Council should assist organisations in the city providing housing services to some of Oxford's most vulnerable people.

Research shows that Registered Charities own less than 10 properties that would be included in the mandatory HMO Licensing Scheme. The cost to the Council over a five-year period of excluding these properties from the scheme would be in the order of £8,000.

Legal Services have been consulted on this recommendation and have made the following observations:

- The intention of the government is that local authorities should be given complete discretion to set fees and to specify cases in which no fees are to be charged. In other words there is nothing in the regulations that says the City Council cannot exempt charities from the HMO Licensing Fee.
- There are more general concerns. If the Council exempts charities other landlords may complain that they are funding the fee waiver and we may be susceptible to Judicial Review unless we justify our differential treatment.
- It might be better (if the council wanted to consider waiving fees for charities) to consider the case for waiver on a case-by-case basis - although this would make it harder to calculate the impact and re-adjust fees for other landlords.
- If charities registered with the Housing Corporation as RSL's they would be exempt from paying the HMO Licensing Fee.
- If the Executive Board does decide to exempt charities from the Licensing Fee, it should be made clear that the regulations will be enforced.