

Selective Licensing Fee proposal

The fee proposal is based on a review of HMO licence costs. The processing of selective licence applications is very similar to the HMO applications already processed by the Council. However there would be no inspection of a selective licence property prior to the issue of a licence and not all properties will need to be inspected.

Fee scheme

Selective licences will be issued for five years unless there is a history of poor management. The fee scheme for new applications are shown in Table 1. At the start of the scheme, various discounts will be offered, as in Table 2. It is anticipated the vast majority of licences will be for five years however some will be issued for one year and then require a renewal application. Renewal fees are in Table 3. To demonstrate that the fee scheme is designed to ensure compliant landlords are not financially penalised compared to non-compliant landlords, Table 4 illustrates different landlord behaviours and fee payable.

Table 1: Proposed fees for new applications				
Category	Description	Total Fee	Stage One	Stage Two
SB1 Standard fee	New application made within 6 months of start of scheme, or where the property is newly acquired and the application is made within 3 months of the acquisition date	£480	£170	£310
SA1 Higher new application fee	New application made after 6 months of scheme designation date	£1100	£495	£605

Discounts

Discounts will be offered to incentivise landlords to make applications promptly, recognise compliant landlords / agents and could be offered to support landlords who work with the Council to provide accommodation for vulnerable persons. In addition, discounts are available for specific building types in recognition of lower administration costs. Compliant landlords should benefit from paying lower fees. For any discount to apply a full application must be submitted without the need for the council to request any further information from the applicant.

Only one discount will be applied to the fee which will be applied to the stage 2 fee.

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Table 2: Proposed Discounts		
Category	Description	Discount amount
Early bird	Where a complete application is made within 6 months of the scheme commencement date. Maximising the number of applications received early will reduce the amount of work needed to find unlicensed properties. Receiving documentation with the application reduces the amount of time needed to request and check documentation and also demonstrates landlord compliance.	£80
Early Bird and Accreditation	The most compliant landlords / agents are members of recognised accreditation schemes demonstrating professional competence. These landlords / agents are expected to make their application early and so will benefit from “early bird” discount. In addition, it is judged that properties managed by an accredited person will not need to be inspected and so this will reduce the time required by the council to administer the scheme and so these landlords should benefit from an additional discount.	£180
Accreditation	This will be applied where a landlord who is accredited with a recognised accreditation scheme acquires a new property and applies for a licence within 3 months of the purchase date or where there is a change in the licence holder to an accredited landlord. The discount is applied to reflect the reduced inspection time	£100
Charity	This will be applied where registered charities, who are working with the Council and providing accommodation as part of the homeless pathway. The discount would apply to full applications made within 12 months from the start of the scheme, this will assist where charities are operating a number of properties Such charities have different cost operating models and to charge a fee could heavily affect their ability to run their services.	£180
New Build	Any new build property whose first occupant is a private tenant (providing application is made within three months of occupation date).this is to reflect that the property will meet the current building standards and an inspection would not be necessary	£220
Block	Where landlords own the freehold of a building and rent out flats within the building one licence is given covering the whole block. The building will have been converted with building regulation approval. The first flat is charged at the full fee and then for each additional flat, a small fee is charged to cover extra checks made for each flat.	Standard fee (SB1 or SA1) plus £236 per additional unit
Home Choice	Properties used by the City Council as part of the work to prevent homelessness; to incentivise landlords to provide private rented properties this would apply only for applications where the standard fee applies, i.e. where there is a change of Licence Holder who makes the property available to the Home Choice scheme or where a newly acquired property is made available to be used as part of the scheme and the application made within 3 months of purchase. The details and amount of discount available is to be determined	discount on standard fee

Length of licence and Renewal Fees

The majority of licences will be issued for five years. However, there are some circumstances where a licence will be issued for one year. These include the following factors:

- Documentation was not submitted;
- Multiple justified service requests made within last three years;
- Concerns about fit and proper person status;
- Concerns about satisfactory management arrangements;
- Evidence property is not compliant with planning use;

Where a one year licence is issued, the council will inspect within 12 months of the licence date to ensure the property is compliant. On renewal, a decision will be made whether to:

- Issue a 5 year licence
- Issue for one year.

Table 3 Renewal Fees			
Category	Description	Licence length	Total Fee
C – only applicable from yr 2 onwards	Renewal application	Five	£131
D – only applicable from yr 2 onwards	Higher renewal application	One	£196

Appendix 4

Table 4: Total fees paid by landlord behaviour scenarios			
Scenario		Fee paid	Fee paid per annum
1	Accredited landlord / agent with early bird discount (application made within six months of commencement date)	£300	£60
2	Landlord / agent with early bird discount (application made within six months of commencement date)	£400	£80
3	Landlord / agent makes incomplete application up to 6 months of commencement date	£480	£96
4	Landlord / agent makes application up to 6 months of commencement date. Due to concerns / known issues they are issued one year licence. Inspection shows good management and all documents now satisfactory. On renewal, converted to 5 year licence	£611	£102
5	Landlord / agent makes application up to 6 months of commencement date and issued one year licence. Yr2 renewed at one year higher rate for non-compliance. Yr3 renewal converted to 5 year licence	£891	£127
6	Landlord / agent makes application after six months of commencement date and issued five year licence for a property that has been licensable for more than 3 months	£1,100	£183
7	Landlord / agent makes application up to six months of commencement date and issued one year licence. Yr2, Yr 3, Yr 4, Y5 found to be non-complaint and renewed at one year higher rate.	£1,264	£253
8	Landlord / agent makes application after six months of commencement date (one year licence) for Yr2 found to be non-compliant renewed at higher rate. Yr 3 found to be compliant and converted to end of scheme	£1,431	£204
9	Landlord / agent makes application after six months of commencement date (one year licence). Yr2, Yr3, Yr 4 & Yr5 found to be non-compliant renewed at higher rate.	£1,920	£384

Predicted Number of Licences

At this stage it is estimated that there will be 12,000 private sector properties requiring a licence and it is likely, based on similar schemes that around 80% will be issued a licence throughout the 5 year scheme. Assuming a similar result for Oxford City Council, then around 10,000 properties would be licensed by the end of the scheme. This will be kept under review as the scheme progresses and resources and therefore fees will be adjusted accordingly.

Income and cost assessment

A review of HMO properties has established 1/3 are managed by agents belonging to a national recognised scheme and it is assumed a similar proportion of rented family homes are also managed by agents. However this may be a low estimate and fees may have to be adjusted to meet demands part way through the scheme.

The vast majority of the applications will be received in the first year and income projection has been based on 75% of applications received in year 1, around 7,200 applications. Of these applications, it is estimated that 50% applications will fall into the “accreditation and early bird” discount and a further 25% will fall under the “early bird” discount. Approximately 3,000 applications will be received in later years, at a higher fee. Application and fee income projections are outlined in Table 5

Based on the licence fees above and the assumed application projections, the income generated by the scheme is estimated to be approximately **£6,666,735**. The scheme must be self-financing. The fees can only be used for selective licensing and are not income generation for other council activities. The total costs are estimated to be **£6,670,074**, these include staffing, ICT requirements, training and the provision of landlord information see Table 6

Appendix 4

Table 5: Predicted application and fee income

	Yr 1			Yr 2			Yr 3			Yr 4			Yr 5		
	Total licensed	7200		Total licensed	8194		Total licensed	9066		Total licensed	9768		Total licensed	10141	
	Fee	No. apps	Income	Fee	No. apps	Income	Fee	No. apps	Income	Fee	No. apps	Income	Fee	No. apps	Income
SA1 Standard higher	1100	720	792000	1133	872	987976	1167	761	888313	1202	626	752464	1238	311	385104
SB1 Standard new	480	1080	518400	494	122	60317	509	111	56627	525	76	39868	540	61	32984
Early bird	400	1800	720000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Early bird & Accred	300	3600	1080000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
C Renewal standard	130	0	0	130	612	79560	134	260	34827	138	111	15246	142	94	13348
D Renewal higher	200	0	0	200	612	122400	206	260	53581	212	111	23455	219	47	10267
Per Yr Total	3110400			1250253			1033347			831032			441703		
Total income	6666735														

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Table 6 – Income and cost breakdown per year

Year	1	2	3	4	5	Total
Income	£3,110,400	£1,250,253	£1,033,347	£831,032	£441,703	£6,666,735
Cost	£2,425,849	£1,018,247	£1,046,222	£1,075,038	£1,104,717	£6,670,072