



## Overview and Scrutiny Committee

6<sup>th</sup> February 2008

### Report from the Director of Housing & Community Care

For Action

Wards Affected:  
ALL

### Report Title: Fees for Licenses in respect of Houses in Multiple Occupation (HMOs)

Forward Plan Ref:

#### 1.0 Summary

1.1 This report advises Members about the current (reviewed) fees for HMO Licenses, pursuant to a request for such information by the Overview and Scrutiny Committee on 10<sup>th</sup> October 2007

#### 2.0 Recommendations

2.1 That Members note and comment on the HMO Licensing fee matrix / underpinning methodology, detailed in Appendix 1.

#### 3.0 Detail

##### 3.1 Background

HMO Licensing was introduced by the Housing Act 2004, with effect from 6<sup>th</sup> April 2006. Local Housing Authorities are entitled to charge applicants a reasonable fee for these Licenses, but this is not allowed to generate a surplus over operating costs, and is not allowed to cover enforcement of housing conditions other than License Conditions.

This was covered in detail in the report to the Executive Committee on 15<sup>th</sup> August 2005, which agreed the (proposed) Private Housing Strategy and

associated action plan. This included an agreement that the Director of Housing & Customer Services should determine details of the procedure and fee to be charged when implementing the mandatory licensing of HMOs

The Overview and Scrutiny Committee considered a report on 10<sup>th</sup> October 2007 about progress with implementation of the new Licensing duty and requested that the fees be reviewed.

## **4.0 Financial Implications**

4.1 The West London Sub-Regional Housing Partnership, in line with advice from Government, believes that the cost of regulating the HMO sector under Mandatory HMO licensing should be borne by the sector itself and not be subsidised by the taxpayer. The Housing Act 2004 facilitates this under section 63 as follows:

Section 63, Housing Act 2004, Applications for licences

- (1) An application for a licence must be made to the local housing authority\*.
- (3) The authority may, in particular, require the application to be accompanied by a fee fixed by the authority.
- (5) The appropriate national authority may by regulations make provision about the making of applications under this section.
- (6) Such regulations may, in particular –
  - d. Specify the maximum fees which are to be charged (whether by specifying amounts or methods for calculating amounts);
  - e. Specify cases in which no fees are to be charged or fees are to be refunded.
- (7) When fixing fees under this section, the local housing authority may (subject to any regulations made under sub-section (5)) take into account –
  - a. all costs incurred by them in carrying out their functions under this Part (Part 2)
  - b. all costs incurred by them in carrying out their functions under Chapter 1 of Part 4 (Interim and Final Management Orders) in relation to HMOs (as far as they are not recoverable under or by virtue of any provision of that Chapter)

\* - local housing authority = London Borough of Brent Council, Private Housing Services, 34 Wembley Hill Road, Wembley, Middlesex, HA9 8AD.

4.2 The Deputy Prime Minister has not to date made any Regulations under Section 63 (5). Local Authorities must, therefore, determine their own fee structures. There is no “cap” on the maximum fee that may be charged but the fee must not exceed costs incurred by the Local Authority in setting up and administering the Licensing Scheme. The seven West London Authorities have worked in partnership to agree a uniform fee structure for West London. The fee structure takes account of the costs incurred in preparing for the scheme, publicising the scheme, training staff, landlords and other stakeholders and the actual administrative costs of processing individual licence applications. The partnership has itemised all costs incurred and

detailed them in the attached spreadsheet (Appendix 1). It believes the fee structure is transparent and adequate to recoup, as far as reasonably possible, costs to the public purse without placing an undue burden on HMO landlords or tenants, which might result in the HMO closing down and tenants being made homeless. The fee structure ensures that those landlords who work diligently to submit full and correct applications are not subsidised by those who don't. A financial incentive is built in to encourage and reward good practice under landlord accreditation and other similar initiatives. Whilst the fee structure is uniform across West London, the actual fees will vary from council to Council as staffing and overhead costs vary across the sub-region and property characteristics differ.

It should be noted that no costs have been included at present under section 63 (7)(b) (Part 4 : Interim and Final Management Orders). The partnership does not accept that it is possible to estimate the likely costs of these provisions in advance at this stage and does not wish to penalise those landlords who apply promptly for licensing. Costs under these Part 4 provisions will be evaluated as the scheme matures and a review of fees will be undertaken regularly. Costs under Part 4 will be built into the revised fee structure when they become known and can be justified. Costs involved in taking prosecutions may be recovered from the defendant if the prosecution is successful, rather than spread across other landlords who co operate and pay for their licenses.

- 4.3 Currently HMO Licensing fully engages 2 Officers with input from the Team Leader and Team Manager.

This year we expect to issue 100 new HMO licences. The work also involves monitoring / enforcement of License Conditions, and prosecution of landlords who have been caught evading Licensing, and /or who have been denied a License and continue to operate illegally.

100 new Licenses will probably generate £65,000 income this year. Running costs will be £90,000 including overheads / share of fixed costs, i.e. this service will run at a loss of £25,000 this year. Next year running costs will be the same but income is likely to fall as Officers spend more and more time on enforcement and therefore less and less time on processing new Licenses. This is because the majority of the co operative landlords will have been dealt with by mid 2008/9 leaving the more uncooperative landlords to be dealt with later.

The number of mandatorily Licensable HMOs is not known but is thought to be 150. So next year only 50 new Licenses are likely to be issued, generating an income of just £41,000, i.e. an operating loss of £49,000.

- 4.4 The fee has been reviewed several times, most recently in November 2007 and again in January 2008 and will be kept under review.

## 5.0 Legal Implications

5.1 None

**6.0 Diversity Implications**

6.1 None.

**7.0 Staffing/Accommodation Implications (if appropriate)**

7.1 None

**Background Papers**

Housing Act 2004  
Private Sector Strategy, 2005 – 2010,

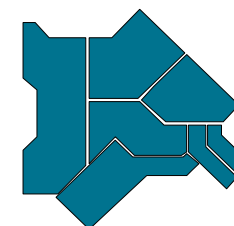
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## APPENDIX 1

### West London Sub-Region HMO Licensing Fees Calculator Preparatory add-on costs



Estimated number of licensable properties in Borough =

P	Preliminaries (HMO licensing scheme set-up costs)	Time (hours)	Hourly rate (inc. overheads)	Cost £
	<b>Research to locate licensable HMOs</b>			
P1	Salary of research officer	280	£ 21.62	£ 6,053.60
P2	Land registry fees (non-application related/database research)			£ 500.00
P3	Postage			£ 300.00
	<b>Publicity</b>			
P5	Tenants event @ Queens Club 06 December 2006			£ 172.84
P7	Voluntary sector event @ Irish Centre 28 March 2006			£ 85.71
P8	Letting agents event @ Irish Centre 28 March 2006			£ 85.71
P9	Bookmark & Colour printing for Landlords event @ Queens Club 23 November 2006			£ 657.14
P10	Tenants flyer 500 copies per LA (excl. Hounslow)			£ 102.05
P11	Landlords flyer 500 copies per LA			£ 103.71

P12	Postage and courier services			£ 28.57
	<b>Training/information (public)</b>			
P14	Better renting HMO licensing advice line			£ 3,000.00
	<b>Training (staff)</b>			
P15	ODPM conference	20	£ 40.00	£ 800.00
P16	In-house training sessions (x officer hours)	50	£ 40.00	£ 2,000.00
	<b>West London sub-region working meetings</b>			
P17	Working group (10 @ 5 hours)	50	£ 40.00	£ 2,000.00
P18	Specialist sub-group meetings (10 @ 3 hours)	30	£ 40.00	£ 1,200.00
	<b>Administrative preparatory work</b>	0		
P19	Production of procedures/guidance/documentation	35	£ 40.00	£ 1,400.00
P20	Other admin.	10	£ 40.00	£ 400.00
	<b>Total cost to Borough of developing licensing scheme</b>	>>>>>>>	>>>>>>>	<b>£ 18,889.33</b>
	<b>Cost apportioned to this licence =</b>	<b>£ 125.93</b>		

**Address**: **Example**Ref: **Ref.1**Enter number of habitable rooms = **15**Enter number of storeys = **3**

<b>P</b>	<b>Preliminaries (HMO licensing scheme set-up costs)</b>		
<b>1</b>	Aggregated cost of all preliminary work involved in preparing for and setting up licensing scheme apportioned to this application. Details from " <i>prelims</i> " sheet.		
	<b>From prelims sheet</b>	<b>£</b>	<b>125.93</b>

**Individual licence Processing Costs**

<b>A</b>	<b>Admin/Support services actions</b>	<b>Time (minutes)</b>	<b>Hourly rate (inc. overheads and on-costs)</b>	<b>Cost £</b>
<b>11</b>	Open new database job and assign reference number	30	£ 23.06	£ 11.53
<b>12</b>	Prepare application pack, send to applicants and update database record	60	£ 23.06	£ 23.06
<b>13</b>	Verify ownership details given on application form : as necessary carry out land registry search, company search, housing benefit check , council tax check , s16 requisitions for information etc.	60	£ 23.06	£ 23.06
<b>13a</b>	Land registry fee (where more than 6 months expired since last)			£ 3.00

14	Check returned application form is properly completed and all relevant paperwork attached, chase up where appropriate.	60	£ 23.06	£ 23.06
15	Enter property and ownership details on database	60	£ 23.06	£ 23.06
16	Send standard acknowledgement letter and update database	15	£ 23.06	£ 5.77
17	Obtain licence signature from Authorised Officer	15	£ 23.06	£ 5.77
18	Issue licence and update database record	30	£ 23.06	£ 11.53
19	Collection of fees and issue of receipt in accordance with Borough finance procedures	30	£ 23.06	£ 11.53
20	Annual collection of gas safety and AFD certificates, check, authenticate and update database record (2 hours x 3 years)	360	£ 23.06	£ 138.36
	<b>Totals</b>	<b>720</b>		<b>£ 279.73</b>

	<b>Case Officer actions</b>	<b>Time (minutes)</b>	<b>Hourly rate (inc. overheads and on-costs)</b>	<b>Cost £</b>
<b>B1</b>				
21	Check occupier and amenity details and plans to determine how many households or persons the property will be suitable for. Update database record.	60	£ 23.06	£ 23.06
22	Determine who is most appropriate person to hold licence or be manager (from application form, own records, housing advice, housing benefits, council tax etc .	60	£ 23.06	£ 23.06
23	Carry out fit and proper person checks	120	£ 33.27	£ 66.54
24	LLAS fit and proper person check fee			£ 25.00



25	Carry out associated/additional fit and proper person checks where necessary due to complexity	60	£ 33.27	£ 33.27
26	Check that proposed management arrangements are in place	30	£ 33.27	£ 16.63
27	Check Planning Permission and Building Control Approval status.	30	£ 23.06	£ 11.53
28	Check that schedule 4 certificates are provided and carry out validation checks as appropriate for gas safety, electrical appliances and furniture, smoke alarms,	60	£ 23.06	£ 23.06
29	Prepare licence documents and conditions and notices for all interested parties, update database record.	90	£ 33.27	£ 49.90
	<b>Totals</b>	<b>510</b>		<b>£ 272.06</b>

B2	Case Officer actions involved with inspecting accommodations - after application received (promarily to assist verification of data).	Time (minutes)	Hourly rate (inc. overheads and on-costs)	Cost £
18	Arranging and securing access to inspect to check or obtain licence application details.	30	£ 23.06	£ 11.53
19	Travelling times for visit	60	£ 23.06	£ 23.06
20	Inspect to check or obtain licence application details (15 minutes allocated per room)	225	£ 23.06	£ 86.48
21	Update database record after visit - owner and property details and actions	15	£ 23.06	£ 5.77
	<b>Totals</b>			<b>£ 126.83</b>

	<b>Additional costs for <i>assisted fee applications</i> (OPTIONAL)</b>	<b>Time (minutes)</b>	<b>Hourly rate (inc. overheads and on-costs)</b>	<b>Cost £</b>
<b>B3</b>				
28	Draw sketch floor plans	90	£ 23.06	£ 34.59
29	Draft schedule of room sizes	225	£ 23.06	£ 86.48
30	Prepare schedule of required documentation	30	£ 23.06	£ 11.53
31	Highlight incomplete sections on application form	45	£ 23.06	£ 17.30
32	Return completed B3 pack to applicant with std letter : Update database record	15	£ 23.06	£ 17.30
	<b>Totals</b>	405		<b>£ 167.19</b>

	<b>Manager's actions</b>	<b>Time (minutes)</b>	<b>Hourly rate (inc. overheads and on-costs)</b>	<b>Cost £</b>
<b>C</b>				
33	Allocate new case	15	£ 37.28	£ 9.32
34	Quality checks on above	45	£ 37.28	£ 27.96
	<b>Totals</b>	60		<b>£ 37.28</b>

<b>D</b>	<b>Contingency for unforeseen actions</b>			<b>Cost £</b>
35	10% contingency for additional unforeseen action necessary to process and issue the licence			£ 71.59
	<b>Totals</b>			<b>£ 71.59</b>

<b>Total Fee without discounts</b>	<b>£ 1,080.61</b>
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Ref.1

<b>Standard/full 5 year licence</b>		
<b>Total HMO licence fee =</b>	<b>£913.42</b>	<b>Assistance = £167.19</b>
<b>With LLAS/Better renting/Landlord Assoc discount =</b>	<b>£838.42</b>	
<b>Fit &amp; Proper person check &lt; 12 mths (discount) =</b>	<b>£788.61</b>	
<b>With both the above discounts =</b>	<b>£713.61</b>	

<b>Reduced period licence (2 yrs) re-calc for other</b>	
<b>Total HMO licence fee =</b>	<b>£821.17</b>
<b>Fit &amp; Proper person check within 12 months =</b>	<b>£696.37</b>

Costs related to Private Housing Information Unit (Tenancy Management) costed at -	£ <b>116.44</b>
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### Summary of Licence Fee

Address : 0

Ref: Ref.1

<b>Standard/full 5 year licence</b>	<b>Fee</b>	
Total HMO licence fee =	£	913.42
With LLAS/Better renting/Landlord Assoc discount =	£	838.42
Fit & Proper person check < 12 mths (discount) =	£	788.61
With oth the above discounts =	£	713.61

<b>Reduced period licence (2 yrs) re-calc for other</b>	<b>Fee</b>	
Total HMO licence fee =	£	821.17
Fit & Proper person check within 12 months =	£	696.37

### Schedule of hourly rates for Officers

Officer	Grade	Rate	% On-costs	Rate	% Overheads	Total Hourly rate
Admin Support Services Officer		£ 15.00	0	£ 15.00	46.4	£ 21.96
Technical/Enforcement Officer		£ 26.00	0	£ 26.00	27.96	£ 33.27
Case Officer		£ 16.00	0	£ 16.00	44.13	£ 23.06
HMO Research Officer		£ 16.00	0	£ 16.00	44.13	£ 23.06
Manager		£ 30.00	0	£ 30.00	24.26	£ 37.28

#### Notes on rates calculation