



FEES FOR LICENSING OF HOUSES IN MULTIPLE OCCUPATION

Report of the Corporate Director, Regeneration and Culture

1 Purpose of Report

Cabinet is being asked to decide the fees and charging mechanism to be applied in relation to the licensing of Houses in Multiple Occupation (HMOs).

2 Summary

- 2.1 The mandatory licensing of certain HMOs is required by Part 2 of the Housing Act 2004. Leicester City Council will therefore be required to license those HMOs which have 3 or more storeys and are occupied by 5 or more occupants comprising two or more households from 6th April 2006. The Housing Act allows councils to require the licence application to be accompanied by a fee fixed by the authority.

3 Recommendations

- 3.1 A number of options are presented in Section 3 of the report. Cabinet is recommended to adopt Option 1: That a standard fee of £510, plus additional costs where appropriate, should be charged for all HMO licences.
- 3.2 Delegate authority to the Corporate Director, Regeneration and Culture in consultation with the Cabinet Lead Member to review the fee once all the relevant statutory provisions are in force.
- 3.3 Delegate authority to the Corporate Director, Regeneration and Culture in consultation with the Cabinet Lead Member to annually review the fee to allow for salary and overhead inflation.

4 Financial & Legal Implications

Financial Implications

- 4.1 There is no revenue budget identified for this new area of work. The Housing Act 2004 enables the level of fees to cover costs incurred by the authority in carrying out the licensing functions.
- 4.2 Options 1 & 2 are cost neutral. Option 3 cannot be currently delivered as the department has no budget to carry out this function.
- 4.3 Early indications are that a fee of £510 will enable costs of this additional work to be covered. Currently the likely demand for this type of licence is being assessed, once this is known level of staff resources can be determined. Overall this is expected to be self-financing.

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Legal Implications

- 4.4 Provisions in the Housing Act 2004 (not all of which are yet in force) enable the Council to charge a fee for the licensing of specified houses in multiple occupation.
- 4.5 As not all the legislation is yet in force the granting of delegated authority to the Service Director will enable the Council to fully comply with the legislation
- 4.6 The supporting information section sets out in detail the relevant statutory provisions.

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DECISION STATUS

Key Decision	No
Reason	N/A
Appeared in Forward Plan	No
Executive or Council Decision	Executive (Cabinet)



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1. Background to Licensing of Houses in Multiple Occupation

- 1.1 The Housing Act 2004 will require the mandatory licensing of Houses in Multiple Occupation (HMOs) and is due to come into force on 6th April 2006. Licensing is intended to ensure adequate standards of management and acceptable health and safety standards in HMOs.
- 1.2 Mandatory Licensing will apply to HMOs of 3 or more storeys and occupied by 5 or more persons who constitute more than one household. Registered Social Landlords, local authorities and other HMOs owned or managed by a public authority or university are excluded. The licence will last for 5 years, after which a new application needs to be made. Up to 400 licensable HMOs have been identified in the Department's current property database. Officers are double checking to see if there may be other potential licensable properties in the City.
- 1.3 The local housing authority is allowed by this legislation to require a licence application to be accompanied by a fee fixed by the local authority. The Secretary of State can prescribe by regulations a maximum fee whether by specifying amounts or methods for calculating amounts.
- 1.4 The local authority can take into account when fixing fees all costs incurred by the authority in carrying out the functions of licensing and all costs incurred in carrying out additional control measures.

2. Charging for Mandatory Licensing of Qualifying HMOs

- 2.1 Joint working with Nottingham City Council and Derby City Council has clarified the steps needed to process a licence, from application through to its issue. These steps have previously been implemented for HMO registration schemes operated by Nottingham City Council and it is anticipated that this approach will help provide some consistency of approach between local authorities in the region.
- 2.2 For each step of the process, staff time has been estimated to calculate the overall average time likely to be needed to process and issue licences. By adopting this approach, the council can show that the fee reflects the cost to the authority in carrying out the licensing function, as is required by the Act.
- 2.3 That work has shown that it will take an average of 13 hours of staff time to process each licence application. We therefore estimate that it will cost approximately £510 per application (including on-costs). Based on 400 licensable HMOs in the city, the total cost of this new regime is likely to be

approximately £204,000. Because of the 5 year life of licences, the majority of these costs will be incurred on a 5 year cyclic basis, which, in itself presents complications in terms of providing the necessary staffing resources for this new workload.

- 2.3 As the time spent on each licence application is likely to be very similar, a fixed fee for all HMO licenses would be suitable. A basic fee of £510 would need to be charged to make this regime self-financing. If Members prefer to subsidise this fee, some services within the department would need to be cut or reduced.
- 2.4 Additional costs incurred by the local authority can also be charged to the licence applicant. These can include the cost of determining of whether the proposed licence holder is “fit and proper”, which could include a Criminal Records Bureau (CRB) check.

3. Options and Recommendations

3.1 Option 1

That standard cost recovery fee of £510 is charged for all applications, plus any additional costs (e.g. extraordinary / unforeseen costs for instance an unco-operative applicant or incomplete application) where appropriate. Licence applicants making more than one application within 6 months of the first may receive a discount for the second and subsequent applications of £90 equivalent to the costs of fit and proper determination. This would make the regime self-financing. This is the option recommended to Cabinet.

3.2 Option 2

That each licence application is processed and the fee charged is based on the actual cost incurred in processing each individual application. Whilst also being a self-financing option, such an approach would be administratively burdensome and would prevent fees from being collected at the time of application. This could result in uncertainty for applicants, payment disputes and additional cost recovery expenditure. This option is not recommended.

3.3 Option 3

The cost of issuing licences could be subsidised by the City Council, with a fee of less than £510 being charged. This could cost the City Council up to £204,000 depending on the level of fees charged. There is no provision in current budgets for any such expenditure and this work could not be undertaken within current staffing resources without cutting other services. This option is not recommended.

4. FINANCIAL, LEGAL AND OTHER IMPLICATIONS

- 4.1 There is no revenue budget identified for this new area of work. The Housing Act 2004 enables the level of fees to cover costs incurred by the authority in carrying out the licensing functions. It would seem prudent to make this area of work self-financing by agreeing Option 1.
- 4.2 Options 1 & 2 are cost neutral. Option 3 will create a budget pressure in the department, as there is no budget to carry out this function.
- 4.3 Early indications are that a fee of £510 for a licence valid for 5 years will enable costs of this additional work to be covered. Currently the likely demand for this type of licence is being assessed, once this is known level of staff resources can be determined. Overall this is expected to be self-financing.

Legal implications

- 4.4 Section 63(3) of the Housing Act 2004 allows a local authority to require a licence application to be accompanied by a fee fixed by the authority, however, this provision is currently not in force.
- 4.5 Section 63(5) of the Housing Act 2004 allows for regulations to be made by the Secretary of State to prescribe a maximum fee whether by specifying amounts or methods for calculating amounts.
- 4.6 Section 63(7) of the Housing Act 2004 enables the local housing authority to take into account when fixing fees all costs incurred by the authority in carrying out the functions of licensing and all costs incurred in carrying out additional control measures, however, this provision is currently not in force.

Anthony Cross, Assistant Head of Legal Services ext. 6362

5 Other Implications

OTHER IMPLICATIONS	YES/NO	PARAGRAPH REFERENCES WITHIN SUPPORTING PAPERS
Equal Opportunities	NO	
Policy	YES	This is a policy decision
Sustainable and Environmental	NO	
Crime and Disorder	NO	
Human Rights Act	NO	
Older People on Low Income	NO	

6 Risk Assessment Matrix

	Risk	Likelihood L/M/H	Severity Impact L/M/H	Control Actions (if necessary/or appropriate)
1	Challenge of fee structure	M	L	The fees proposed are based on calculation of the likely time required to process applications and will be subject to review.

7 **Background Papers – Local Government Act 1972**
Housing Act 2004

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