



Decision Ref. No:			
Service Area:	Housing and Communities	Date:	25/4/24
Contact Name:	Matthew King, Private Sector Housing Manager	Tel No:	01202 128505
E-mail:	matthew.king@bcpcouncil.gov.uk		
Subject:	HMO Licence Fee Review 2024		
Decision taken: From 8 May 2024 to increase the HMO licence fee by 64.76% for new applications and 77.33% for renewals, raising the fees to £1,384 and £1,275 respectively. In addition, to introduce a fee of £150 where a licensable HMO has been identified by the Private Sector Housing Team and a £25 fee for each additional unit of accommodation within the property where there are seven or more.			
Reasons for the decision: In line with the Council's Financial Strategy approved by Cabinet in October 2022, the methodology for the calculation of the current fee structure has been reviewed to ensure that full cost recovery is achieved as is permitted, and that inflationary increases have been applied. The current fees, which were last reviewed in 2017, fall very short of representing the true cost of the Licensing scheme, and according to the Housing Act 2004, a Licensing scheme should be operated on a full cost recovery basis with all the costs for the scheme to be borne by the licence-holding beneficiaries. No additional burden should be placed on the public purse. The Council is facing continuing financial pressures following years of reduced funding and the current cost-of-living pressures. Maximising income from fees and charges and ensuring full cost-recovery is therefore important to maintain service levels whilst minimising the impact on Council taxpayers. Following a detailed review, a revised fee structure for HMO Licence fees is therefore proposed, which will further support the regulation of houses of multiple occupation in Bournemouth, Christchurch and Poole. The full fee increase will be implemented on 8 May 2024. It is also important to recognise that investigating reported unauthorised HMOs that require a Licence is part of the wider scheme responsibilities and therefore £150 will be added to the fee, where this is the case, to cover any investigation time.			

Finally, each additional unit of accommodation above six requires more officer time both at inspection and with any assessments and schedules of work. £25 will be added to the fee for each unit Licensed where there are more than six in total.

Background:

1. On 26 October 2022 Cabinet approved the recommendations within the Financial Strategy Update report which included the principle that, as a matter of policy, the Council should be maximising income to cover the full cost of services provided.
2. This Decision Record sets out the outcome of a review of the licence fees levied for Houses in Multiple Accommodation and proposes a revised fee structure in order that these fees are aligned to cost-recovery principles and in line with the legal requirement that these must be set at a level to recover reasonable costs.

HMO Fees

3. The Housing Act 2004 provides the legal framework for the mandatory licensing of HMO's. The broad definition of a mandatory licensable HMO is where the property is occupied by five or more occupants from two or more households and where there are shared facilities. All HMO's must be inspected as part of the licensing process and the ongoing administrative requirements to be met are complex. Licences are generally awarded for 5 years, but in extenuating circumstances may be limited to one year.
4. The legislation permits Councils to set fees to meet the full costs associated with the issuing and operation of HMO licences and the overall scheme. HMO fees for legacy Bournemouth and Poole were last calculated in 2017. When BCP Council was formed in 2019, these fees were extended to include Christchurch using the same rate.
5. The fee must be paid in 2 parts. Part 1 is the cost of administering the Licences which includes the time taken for support officers to gather paperwork and perform necessary checks, officers to inspect and assess the property and to issue the draft Licence with any necessary works. Part 2 is the compliance, enforcement and general management of the scheme, which includes investigations of unauthorised HMOs, all Licensing queries, training, systems and management costs.
6. The time taken to complete a renewal application process compared to a new application as Part 1 is slightly lower hence the difference in fees, however the Part 2 costs remain broadly the same for all Licences.
7. Across BCP there is a 20% discount available for landlords who are accredited members of an approved scheme. This discount will continue for landlords who receive accreditation from the National Residential Landlords Association (NRLA) and the Private Rented Sector Accreditation Scheme (PRSAS), which require continuous professional development for responsible landlords.

8. Following the direction from Cabinet in October 2022, the methodology for the calculation of the current fee structure has been reviewed to ensure that full cost recovery is achieved as is permitted, and that inflationary increases have been applied. This has concluded that the current fee structure does not fully account for all costs associated with administering licences within the Council.
9. A revised calculation has been completed (see **Appendix A** 'HMO fees cost-recovery calculations') which has addressed this issue and taken full account of staffing, corporate and management recharges.
10. Whilst the revised calculation presents a significant increase, the proposed fee structure outlined below allows the council to recover its costs in full and brings the fee up to date since the last review point some 6 years ago.
11. The current and proposed fees are;

Application Type	Current Fee	Revised Fee	£ Increase over 5-year licence period	Per-week increase over a 5-year licence period per HMO	Per-week increase per unit of accommodation within 5-6 unit HMO
New application	£840	£1,384	£544	£2.09	£0.42 - £0.35
Renewal	£719	£1,275	£556	£2.13	£0.43 - £0.36

12. Benchmarking has taken place to establish the level of HMO Licence Fee's in comparable local authorities as shown below for 2022/23:

Local Authority	New application	Renewal
Bristol City Council	£1,420	£1,100
Cornwall Council	£1,318.13	£988.59
Manchester City Council	£1,321	£1,121

Portsmouth City Council	£1,100	£1,042
Plymouth City Council	£950	£900

13. Whilst the revised fee structure does represent a significant percentage increase over existing, it is not out of kilter with fees set by local authorities with similar conurbations. Nevertheless, to help mitigate any adverse effect of the fee increase, the following inducements will be further promoted:

a. Promote the benefits of landlord accreditation (incl. 20% fee discount)

The benefit to landlords is access to online development modules and courses, as well as attendance at seminars, landlord liaison meetings, information days and regular bulletins and updates. The resulting benefits for tenants include the advancement of responsible landlords and improved housing standards.

b. Promote the Landlord Incentives Scheme available through Housing Options

The Council's Housing Options service has developed an incentive scheme aimed at encouraging landlords to work with the Council to provide accommodation for tenants with housing needs. Where a landlord agrees to enter into an agreement to assist with discharge of homeless duties or other accommodation needs through the provision of suitable accommodation, a refund of 100% of the chargeable fee will be offered subject to a condition to repay the subsidy should the landlord subsequently decide to rescind the agreement. This could contribute to the Council's strategy for reducing placements into bed and breakfast and temporary accommodation, and also help address the Bed and & Breakfast (B&B) budget pressures.

14. Officers have engaged landlords and the NRLA already regarding the upcoming increases, although the exact increase was not known at that time. A further meeting with the NRLA to discuss exact charges was on 28 March 2024. The Council's Private Sector Housing Team will aim to contact every current landlord and agent of a Licensable HMO to inform them of the increases in the fee. The information will be issued by email to all those on the database, added to the Council's website and included within the landlord letter issued by the Council's Strategic Housing Team. Additionally, the NRLA and local letting agents will be engaged to help ensure there is full understanding and support for landlords affected by any increase.

Options Appraisal

15. The following options have been considered:

- a. Increase by a % less than full cost recovery.

- b. Implement on a phased basis.
- c. Implement a full cost recovery fee structure.
- d. Do nothing.

16. Options a, b and d would be contrary to the Council's Financial Strategy and would fail to meet the true costs of providing the HMO Licensing service. The impact of all three options would result in the Council taxpayer funding services where cost recovery is permitted, thereby placing pressure on other services. Option C is therefore recommended.

Consultations undertaken:

- Whilst there is no legal requirement to consult with stakeholders over proposed increases to HMO licence fees, the Council have already engaged with the NRLA regarding the fee increase. All affected landlords will also be informed of the change.

Note: It is the responsibility of the 'Responsible Officer' – that is the Officer making the decision – to obtain the comments and signature of the Chief Finance Officer and Monitoring Officer **before** taking the decision and then send the completed record of the decision to Democratic Services for publication.

Finance and Resourcing Implications:

The fees are set on a full cost recovery basis, considering staffing costs, management overheads and corporate recharges. The licence fee covers a five year period and is proportioned over the period within the budget. This fee adjustment shows an increase in income, however, previous fees have not been on a cost recovery basis. The new fee is a cost neutral basis and in an average year breaks even.

The full fee and income spreadsheet (Appendix C) details the methodology for fee rate and budget projections.

Name: Adam Richens **Date:** 29.04.2024

Signature (of Chief Finance Officer): 

Legal Implications:

Charging for HMO fees is on a cost recovery basis, pursuant to the Local Government Act 2003, the Localism Act 2011, the Provision of Services Regulations 2009, and the Housing Act 2004. Whilst there is no requirement to consult with interested parties or stakeholders, the proposal is to give a short period of notice to HMO landlords of the impending changes.

Charges can be subject to judicial review, however, this must be on a point of law. The fee structure has been reviewed by an external specialist licensing consultant to help ensure legal compliance.

Name: Janie Berry **Date:** 29 April 2024

Signature (of Monitoring Officer):



Risk Assessment:

There is a potential risk of challenge to the fees and charges levied, albeit mitigating steps would include ensuring there is a clear and sound rationale for charging and that relevant accounting information can be provided in the unlikely event that this is requested. Benchmarking with similar LAs indicates that the proposed fees are not overly different with HMO fees set by these authorities. Following service-redesign throughout 2024, a further analysis of service costs will be conducted to ensure cost-recovery is achieved within any revised budgetary allocations.

Name: Matthew King

Date: 24/4/24

Signature (of Officer Completing Assessment): M.King

Impact Assessments:

Note:

- A EIA screening tool has been undertaken. Increase in fees has a maximum weekly cost increase of £0.43 and therefore the change is not deemed significant.
- Data tells us that those renting rooms/units in HMOs are more likely to be non-working males and therefore the impact is most likely on this group.

Information for publication / not for publication

Note:

- For publication

Background Papers

Appendix A: HMO fees cost-recovery calculations

Appendix B: Equality impact assessment screening – HMO fees increase 2023/24

Any declaration of interest by the Officer responsible for the decision

Nature of Interest

Yes/No*

Note: No Officer having a personal financial interest in any matter should take a decision on that matter. Other interests of a non-disqualifying matter should be recorded here.

Any conflict of interest declared by a Cabinet Member who is consulted by the

Name of Cabinet Member

Nature of interest

Details of any dispensation granted by the Monitoring Officer

Officer taking the decision			
Yes/No*			
Decision taken by: (print name and designation)			
Signature:			Date of Decision: 08/05/2024
Date Decision Effective: 8/5/2024			
Date of Publication of record of decision: (to be inserted by Democratic Services)			

Note: A record of this decision should be kept by the Service Area within which the decision falls.

Appendix A: HMO fees cost-recovery calculations

STANDARD LICENCE ANALYSIS		Standard Hours	Standard Hours	Other Costs	Cost Per Activity	Standard Hours	Standard Hours	Other Costs	Cost Per Activity
		PSH Business Support	PSHEO		New Licence	PSH Business Support	PSHEO		Renewal
PART 1									
1.0	Application determination, payment, fit and proper test and all relevant checks	03:00	00:00		£ 80.97	02:30	00:00		£ 67.47
2.0	Prepare and carry out inspection	00:00	04:35		£ 159.70	00:00	03:20		£ 116.14
3.0	Assessment and draft license	00:00	02:50		£ 98.72	00:00	02:15		£ 78.40
4.0	Invoice and representation management	00:30	02:35		£ 103.51	00:30	02:30		£ 100.60
	Land Registry Check			£ 3.00	£ 3.00			£ 3.00	£ 3.00
Total Part 1 Cost		03:30	10:00	£ 3.00	£ 446.00	03:00	08:05	£ 3.00	£ 366.00
PART 2									
5.0	Modify / final license, public register and system update	00:00	03:00		£ 104.53	00:00	02:10		£ 75.49
	Scheme Management and Other Costs			£ 833.41	£ 833.41			£ 833.41	£ 833.41
Total Part 2 Cost		00:00	03:00	£ 833.41	£ 938.00	00:00	02:10	£ 833.41	£ 909.00
Total License Cost					£ 1,384.00	£ 1,275.00			
	Training and other costs total			£ 24.67	£ 24.67			£ 24.67	£ 24.67
	Management of scheme delivery total			£301.67	£ 301.67			£301.67	£ 301.67
	Enforcement, compliance and complaint investigations total			£386.88	£ 386.88			£386.88	£ 386.88
	Enquiries, system support and administration management total			£120.19	£ 120.19			£120.19	£ 120.19
Total Other				£ 833.41	£ 833.41			£ 833.41	£ 833.41

Appendix B: Equality impact assessment screening – HMO fees increase 2023/24

Equality Impact Assessment: Conversation Screening Tool

What is being reviewed?	HMO Licence Fees – the cost of 5-year Licences for managers/owners of Houses in Multiple Occupation
What changes are being made?	Increase HMO fees by the following: New Applications from £819 to £1,384 Renewals from £719 to £1,275
Service Unit:	Regulatory Services, Housing and Communities
Participants in the conversation:	Matthew King – Private Sector Housing Manager Sophie Sajic – Head of Public Protection
Conversation date/s:	24/8/23 – 10/3/24
Do you know your current or potential client base? Who are the key stakeholders?	Private Rental tenants Landlords, estate agents, letting agents, managing agents, freeholders, leaseholders, licence holders Landlord regulatory bodies Redress schemes Tenancy support services
Do different groups have different needs or experiences?	Age (young and old), disability, race, religion or belief, gender, socio-economic status. These groups are often residing in HMOs to which this fee increase will apply. Younger and older people often live in shared accommodation as do those with disabilities and on benefits as it can provide a cheaper accommodation option. Many tenants are often from countries outside of the UK, including asylum seekers, and often have many differing religions and beliefs. Anecdotally, males are more often living in HMOs, particularly with bedsit accommodation. Many tenants of HMOs are those who cannot afford to rent or buy a dedicated property and cannot be housed by the Council
Will this change affect any service users?	Yes, it will affect landlords, or the Licensee as it is a significant increase in cost to the current fee, which usually covers 5 years of a Licence. Tenants may also be affected as in a 5-bedroom HMO, the increased fee may be passed onto them by the landlord and this could mean c£0.42 rent increase per week per tenant for a new HMO application and c£0.43 rent increase per week per tenant for a renewal. The financial impact should decrease for each additional occupant of HMOs with 6 or more tenants

<p>What are the benefits or positive impacts of the change on current or potential users?</p>	<p>The reason for the fee increase is due to the Council not exercising its right to date to recover all of its costs to run the HMO Licence programme across its 1,500 HMOs. Recovering its costs fully will ensure other duties by the team are carried out to a good standard and its statutory duties are met.</p>
<p>What are the negative impacts of the change on current or potential users?</p>	<p>Landlords will spend a significant amount more money on a Licence than they have been used to. Tenants may have this cost passed onto them in their rents meaning the amount they have to pay per week is potentially increased as above leaving less disposable income.</p>
<p>Will the change affect employees?</p>	<p>Yes, it should enable the service to recover all of its costs for running the HMO Licence programme and allocate additional resource to other statutory and enforcement activities that currently is under-delivered.</p>
<p>Will the change affect the wider community?</p>	<p>Potentially. If the rise in fees means landlords sell their property, there could be less accommodation for those with limited housing options and any increase in homelessness will affect the wider community and Council services. Additionally, tenants may be forced to leave if the costs are passed onto them and they cannot afford the increase in rent. However, as part of the increase the Council is offering a refund to landlords who work with the Council's Housing Options team and a discount on the new fee of 20% to landlords who are accredited. The Council expects more landlords to become accredited meaning this should help increase the standards and management of HMO accommodation and if tenants are more secure in their property, this would be better for the wider community.</p>
<p>What mitigating actions are planned or already in place for those negatively affected by this change?</p>	<p>Full refund of Licence fee to landlords willing to work with the Council to provide accommodation for vulnerable persons with housing needs. 20% discount offered to landlords who are accredited. Full increase in April 2024 to enable engagement with those affected. Likelihood of those HMOs due a renewal in the next 9-12 months to apply early at the current rate.</p>
<p>Summary of Equality Implications:</p>	<p>Licence holders will be affected by this decision and will need to pay 61-84% more for a 5-year Licence than previous times. Approximately 55% of these are male and 23% are female with the remainder being businesses. Current and future tenants of Licensable HMOs may be affected with the possibility of the landlords passing on the additional cost through slightly increased rents. A room in an HMO is usually at least £350 per month so the increase is minimal but could impact those most vulnerable or with protected characteristics. If more HMO landlords work with the Council to benefit from a full refund of this larger fee, some of the most vulnerable in society will benefit as the Council will be able to utilise these properties for those who fall between the gap of not meeting criteria for Council housing and not being able to afford their own private accommodation. While it is not possible to establish the main characteristics of those who may benefit from this it is clear that there would be additional quality</p>

	<p>accommodation for some of the most vulnerable in society in these cases.</p> <p>Officers expect more landlords to become accredited to benefit from the 20% discount although it is unclear how many. Those that do will learn more about their responsibilities to tenants and this will provide a benefit to tenants in those HMOs.</p> <p>The full cost-recovery set up proposed will ensure services are protected within the team or wider across the Council and those most vulnerable will benefit from this. It should enable the Private Sector Housing Team to focus more resource on rogue landlords and those tenants living in sub-standard accommodation and often in fuel poverty. This should assist with some struggles private tenants maybe experiencing due to the cost of living crisis as a lot of the team's work is identifying and dealing with excess cold conditions in rented properties.</p> <p>Finally, market forces play a big role in the rents charged by landlords and demand for private rented accommodation is significant in the BCP area. This results in many groups being impacted outside of this decision and overall the view is that the increase in fees will have minimal impact with the possibility of some benefits in certain circumstances.</p>
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