

## **Appendix 4 - Houses in Multiple Occupation – License Fees 2024-2029**

### **1. Purpose of note**

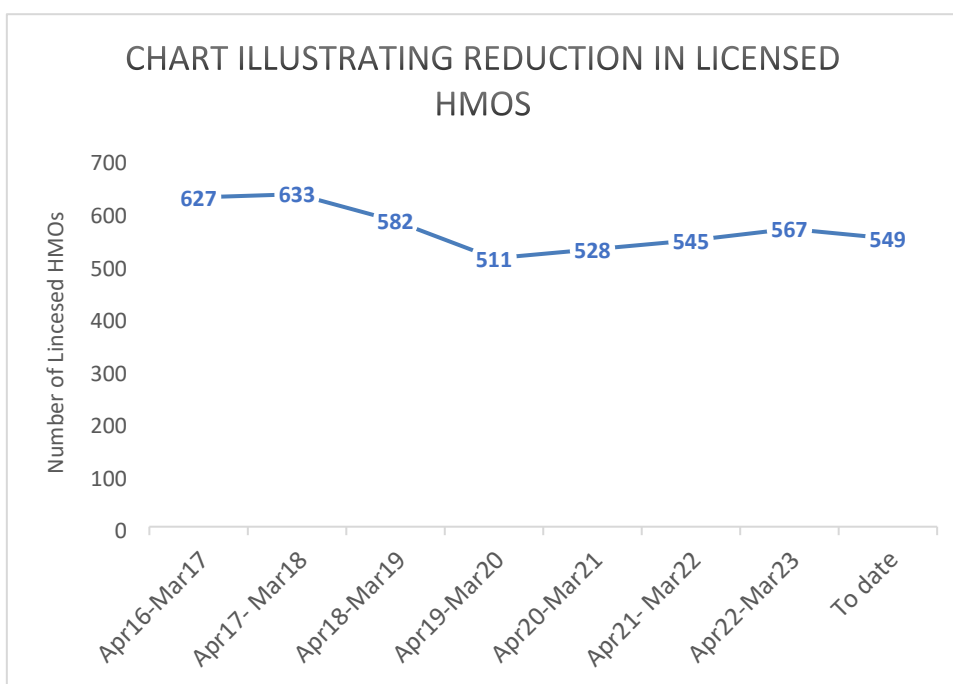
1.1 It is proposed that the 2019 Additional Licensing Scheme for Houses in Multiple Occupation (HMOs), is renewed in 2024 in accordance with the provisions of the Housing Act 2004. The Act allows local authorities to recover the reasonable costs incurred in administering the scheme for the determination of a licence application and to thereafter regulate the licensed HMO for the term of the licence period.

1.2 In line with the Act, a full review of the costs associated with HMO licensing has been undertaken to ensure all reasonable costs incurred by the Council in implementing the HMO licensing Scheme, and its operation going forward, are properly reflected in the fees charged. In accordance with case law in relation to HMO licensing charges and fees associated with the provision of services by Councils, the Council currently operates a two-part payment system.

**Part 1** - covers the reasonable cost of administering and determining the licence application; and,

**Part 2** - payable upon grant of the licence, covers the reasonable costs to the Council of ongoing regulation and enforcement for the term of the licence.

1.3 The approach to calculate the average price per HMO license (for 5 years) is the estimate costs of delivering HMO arrangements over the 5- year period (including assumed inflationary uplifts) and the number of licensable HMOs applicable to the Scheme. It should be noted that since the launch of the previous Scheme in 2019 there has been an overall reduction in numbers of the licensable HMOs within RCT. The chart below illustrates this trend.



**2. 2023/24 HMO Income Budget and Projected Outturn**

2.1 The current budget and projected outturn position (forecasted as at quarter 2) is set out in Table 1.

**Table 1 – 2023/24 Budget and Projected Outturn**

	<b>2023/24 Budget (£)</b>	<b>Projected Outturn (£)</b>	<b>Projected (Under) / Over Recovery (£)</b>	<b>Further information</b>
<b>HMO Fee Income</b>	£123,390	£97,606	£25,784 deficit	Reason for deficit, reduction of no. of licensed HMOs that 2023/24 budget is based on.

**3. Proposed Option**

3.1 Table 2 provides background details of the current HMO fee rates for the 2019-2024 Scheme.

<b>Table 2 - Current HMO rates 2019 – 2024 Scheme</b>		
	<b>New HMO application</b>	<b>Renewal (submission prior to expiry of current licence)</b>
<b>Part 1 Application Fee</b>	£420	£400
<b>Part 2 Fee payable on grant of licence (based on price per unit of accommodation occupied by single household)</b>	£170 per household up to 12 units then £50 per unit thereafter)	£140 per household unit up to 12 units then £35 per unit thereafter

3.2 It is proposed that the current two-part payment continues should the Council decide to implement a further Additional Licensing Scheme to run from the 1<sup>st</sup> April 2024 - 31<sup>st</sup> March 2029.

3.3 The Part 1 fee includes full cost recovery for administering and determining the new ALS taking account of wider support costs as included in the WLGA Part 1 Fee Calculator Toolkit. A 5% uplift has also been included for the Part 2 fees to reflect increased staff costs of enforcing the scheme. There are possible discounted fees available for Part 1 for early renewal and for Part 2 for properties which are compliant or made compliant promptly at the time of application.

3.4 The basis of the proposed two-part payment is set out in Table 3 and the proposed fee structure, pursuant to the 2024 Additional Licensing Scheme for HMOs, is attached at Appendix 4a. The proposed revised fee structure represents an uplift on previous licensing fees charged which reflects the increased Council costs of running the scheme. The fee structure includes reduced fees for certain applications to provide incentives to responsible, compliant landlords. It is proposed that reduced fees would apply as follows:

**Part 1 fee**

An early application for renewal of an existing HMO licence as this reflects the reduced administrative and enforcement burden associated with such applications.

## **Part 2 fee**

As detailed in Table 2 above, the existing fee structure for part 2 payments is applied to per units of accommodation (bedrooms). A discount applies for renewal applications received prior to expiry of the existing licence. A reduced unit cost is also currently applied to accommodation greater than 12 units to both new and renewal applications.

It is proposed that the reduced unit costs for larger HMOs is removed (i.e. for accommodation of greater than 12 units) because the cost of enforcement increases proportionately. It is further proposed that the discount applied for early renewal is removed from the part 2 payment and a discount is applied per unit of accommodation for both new and renewal applications where the HMO is deemed to be fully compliant or is made fully compliant within a period of 8 weeks from the initial licence application inspection. This discount will serve to offer an incentive for prompt compliance with current legislation and licence conditions and reduce delays in application processing, Case Officer time and departmental resources. Table 3 illustrates the two part payment proposal.

<b>Part 1 Application Fee</b>	New application, or late renewal	Renewal of existing licence (submission prior to expiry of existing
	£625	£594
<b>Part 2 Fee payable on grant of licence (based on price per unit of accommodation occupied by single household)</b>	Non-compliant HMO and not made compliant within 8 weeks of the initial licence application inspection being carried out.	Fully compliant HMO at point of initial inspection; or made fully compliant within a period of 8 weeks from the initial licence application inspection
	£179	£147

3.5 The anticipated impact (benefits / drawbacks) of implementing this option are included in Table 4:

**Table 4 Anticipated benefits/drawbacks of implementing the full cost recovery option**

<b>Anticipated Benefits</b>	<b>Anticipated drawbacks</b>
Increased revenue income and accounts for full cost recovery of implementing the scheme.	Higher increase in fees may inhibit landlords from licensing their properties as HMO's.

**4. Accreditation Discount**

4.1 The Council currently operates a Property Accreditation Scheme within the ward of Treforest. The purpose of the scheme is to encourage landlords to provide quality accommodation above legal standards. Currently, licensable HMOs which participate in the scheme are rewarded with a 10% reduction in their HMO application fees.

4.2 The Accreditation Scheme is in the process of being reviewed, with the future format and implementation of such a scheme currently being unknown. It is proposed that the 10% discount is removed from the fee structure due to the uncertainty associated with Accreditation Scheme.

**5. Projected income and proposed fee structure**

5.1 The Table 5 below highlights the average predicted income of the proposed 2024 ALS based on taking the midpoint between all HMO licences being renewed early and compliance achieved against no discounted rates being applied. The average expected income for the scheme is above the current budget of £123,390 but this is subject to the anticipated number of HMO licences being renewed. Whereas the evidence has shown a decline in HMO numbers in recent years, so this may impact on future income from the proposed 2024 ALS.

**Table 5 – Average expected income**

	<b>No early renewals/Non-compliant</b>	<b>Early renewal/Compliant</b>	<b>Estimated Average Annual Income</b>
<b>Full cost recovery</b>	£154,580	£135,866	£145,223

- 5.2 When the proposed revised fee structure in Appendix 4a is compared to the latest published fees across other Councils in Wales with University Institutions (i.e., for the 2023/24 financial year), it is identified as being amongst the highest compared with some others; however, it should be noted that not all local authorities undertake the on-going regulation and enforcement role and, as such, fee structures reflect this position.
- 5.3 On agreeing a new proposed fee structure for HMO licensing, it is recommended the new fees are incorporated into the Councils Fees & Charges report which is considered on an annual basis.