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**Manchester City Council  
Report for Information**

**Report to:** Neighbourhoods and Environment Scrutiny Committee – 20 June 2018

**Subject:** Extension to Mandatory Houses in Multiple Occupation Licensing

**Report of:** Deputy Chief Executive Growth and Neighbourhoods

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**Summary**

In December 2017 the Government announced that it will extend mandatory licensing of Houses in Multiple Occupation (HMOs) to cover all properties with 5 or more occupiers living in 2 or more households and sharing amenities, regardless of the number of storeys. The necessary regulations are expected to be brought into force in October 2018.

The proposals will bring smaller privately rented properties into the HMO licensing regime e.g. two storey shared terraced housing, as well as some purpose built flats. It is expected this will increase the number of properties requiring a HMO licence from the current figure of 1,300 to approximately 6,300.

Additional resources will be required to administer the scheme. Staffing will be funded on a cost recovery basis through the HMO licence fee.

**Recommendations**

To consider and comment on the approach to delivering the extension to mandatory licensing and the setting of licence application fees.

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**Wards Affected: All**

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<b>Manchester Strategy outcomes</b>	<b>Summary of the contribution to the strategy</b>
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Good quality and professionally managed private rented homes contribute to the sustainability of neighbourhoods, ensuring residents have a settled and stable platform to contribute and thrive.
A highly skilled city: world class and home grown talent sustaining the city's economic success	Improving the private rented housing offer helps to attract and retain talent.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Increasing the supply of good quality affordable homes for private rent will provide the opportunity for Manchester residents to access good quality accommodation in neighbourhoods where people are happier to settle for a longer period of time.
A liveable and low carbon city: a destination of choice to live, visit, work	The right mix of quality energy efficient housing is needed to support growth and ensure that our growing population can live and work in the city and enjoy a good quality of life.
A connected city: world class infrastructure and connectivity to drive growth	A balanced housing offer plays an important part within a well-connected city and its neighbourhoods. Improving housing available to rent helps to create neighbourhoods where residents will choose to live and their housing needs and aspirations are met.

**Background documents (available for public inspection):**

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

None

## **1.0 Mandatory HMO Licensing Background**

- 1.1 The Housing Act 2004 introduced provision for licensing in the private rented sector (PRS) to raise standards in properties considered to present the highest risk to the health, safety and welfare of occupiers. In 2006 the mandatory licensing regime for Houses in Multiple Occupation (HMOs) came into force.
- 1.2 The legislation currently requires properties with **3 or more storeys** and **let to 5 or more people from 2 or more households** who **share amenities** (kitchens and bathrooms) to be licensed by the local authority.
- 1.3 There are 1,338 licensed HMOs in Manchester. The majority are located in areas popular with students, although there are HMOs across the whole City. A small number of licensed properties are unsupported temporary accommodation or B&B's. Appendix 1 sets out in which wards licensed HMOs are currently located.
- 1.4 The Housing Compliance and Enforcement Team licence and enforce standards in HMO properties, respond to requests for service from tenants concerning property condition and management arrangements, and undertake inspections as part of the HMO Licensing Compliance programme. Currently an inspection takes place on receipt of an application and once again during the period of the licence.
- 1.5 Five year licences are granted to landlords who demonstrate that they offer good quality accommodation. In cases where the Council has concerns that management arrangements or property conditions are not wholly satisfactory, licences may be granted for a lesser period or in some cases refused.
- 1.6 To reflect the complex nature of B&B properties, licences are granted for a maximum of two years. Where there has been intervention or a history of non-compliance, a licence may be issued for a lesser period of 1 year.
- 1.7 The current licence fee for each new HMO application is £690.75 plus £40 per habitable room, with renewal applications charged at £434.25 plus £40 per habitable room. Under this charging structure (based on most HMOs having at least 6 habitable rooms) the majority of HMO applications will cost at least £930.75 The fee can act as an incentive for landlords to improve their practices to obtain a maximum 5 year licence.

## **2.0 Selective Licensing**

- 2.1 Selective licensing is intended to respond to problems of poor property management, crime and anti-social behaviour (ASB) within a defined geographical area. The introduction of selective licensing is not mandatory, unlike HMO licensing.
- 2.2 If introduced it applies to all private rented properties within the defined geographical area that are not a licensable House in Multiple Occupation. It is a tool to deliver sustainable improvements to private rented accommodation,

increasing the quality of existing stock in the private rented sector in terms of both physical conditions and management standards.

- 2.3 Manchester currently has four selective licensing areas, encompassing approximately 2,000 private rented properties. The pilot areas and duration of each scheme are as follows:

Crumpsall	13 March 2017 – 12 March 2022
Moss Side / Rusholme	8 January 2018 – 7 January 2023
Moston	23 April 2018 – 22 April 2023
Old Moat	23 April 2018 – 22 April 2023

- 2.4 The Neighbourhoods and Environment Scrutiny Committee will receive a progress report on selective licensing later this year.

### 3.0 Mandatory HMO Licensing Extension Proposals

- 3.1 In December 2017 the Government announced that it will extend mandatory licensing of HMOs to cover all properties with **5 or more occupiers living in 2 or more households and sharing amenities, regardless of the number of storeys**. The necessary regulations are expected to be brought into force in October 2018.

- 3.2 The proposals will bring smaller privately rented properties into the licensing regime e.g. two storey shared terraced housing, as well as purpose built flats where there are up to two flats in the block and one or both of the flats are occupied by 5 or more persons in 2 or more separate households. This means some shared flats above shops will need a licence as well as some small blocks of flats not connected to commercial premises.

- 3.3 It will be the individual HMO that needs a licence and not the building within which the HMO is situated e.g. where a building has two flats and each is occupied by 5 persons living in 2 or more households, each flat will require a separate HMO licence.

- 3.4 The benefits of extending HMO licensing include increased regulation of the private rented sector which should improve property condition and management standards through a cost recovery regime.

- 3.5 Potential impacts include increased costs for landlords relating to the purchase of a licence and meeting property standards and management regulations. Some landlords may also be required to reduce occupancy in their properties, if the property is found not to be suitable for the existing number of tenants.

### 4.0 Estimated Increase in Licensed HMOs

- 4.1 Determining the actual number of properties that will require a licence is challenging due to a limited availability of data. However using the data that is available the following estimates provide a basis from which to plan the implementation of mandatory HMO licensing.

- 4.2 Estimates based on Experian data (modelled using consumer credit data), census, electoral roll and survey data suggest there are 3,500 properties likely to comprise 5 or more adults that are made up of more than 1 household, including existing licensable HMOs.
- 4.3 Experian data also describes a further 3,000 properties as likely to be occupied by “extended households” – these are 5 or more adults living as a family but may technically comprise more than one household or unrelated persons living with a family . Some of these may require a licence.
- 4.4 It is recognised that overcrowded households, concealed households and illegal immigrant households may not be picked up through this data.
- 4.5 There are approximately 9,800 student households in Manchester (excluding those in halls and purpose built accommodation). Removing student households in the city centre Ward, (as these are predominantly 1-2 bed apartments and unlikely to be occupied by 5 or more people), leaves around 8,000 student households. Research suggests 14% of university students live in shared properties with 5 or more occupiers. Applying this rate across the student household population gives a figure of 1,120.
- 4.6 Taking all of this information into account, and applying local intelligence and information gathered from the previous implementation of HMO licensing, an estimate of 5,000 additional affected properties is the working assumption being used.
- 4.7 Work to refine this data will continue in preparation for implementation, and will involve interrogating Revenue and Benefits data collated when student exemptions are awarded.

## **5.0 Resourcing Requirements**

- 5.1 The Housing Compliance and Enforcement team will need to recruit additional staff to identify relevant HMO properties, process applications and undertake any necessary enforcement activities. The team will be funded on a cost recovery basis through the HMO licence fee
- 5.2 Work is already underway to provide an online application and payment system for HMO applications, similar to the current Selective Licensing application process. This will allow landlords to apply and pay for applications online, with applications integrating automatically with case management systems helping to reduce back office requirements.

## **6.0 Engagement with Landlords**

- 6.1 A communication strategy will be developed with assistance from the corporate Communications Team to inform landlords and managing agents of the changes to legislation and what will be required of them. This will include contact with landlords associations as well as landlords already known to the

council, engagement events for landlords, information on the Council's website and use of social media.

- 6.2 For those landlords who may already own property in a Selective Licensing area, it is anticipated that any Selective Licence already granted will transfer over to the mandatory HMO licensing scheme at no additional charge. Government guidance is required to confirm this position.

## **7.0 Licence Fees**

- 7.1 As noted above the costs of implementing mandatory licensing will be covered by the licence fee. Work has been undertaken to determine the resources required to administer the scheme which is set out in Appendix 2. These calculations have been reviewed by Finance and Legal Services.
- 7.2 The model is based on a proposed fee of £985 for a new HMO licence application. Larger properties will be charged an additional banded fee to recover additional processing and inspection costs. Overall proposed fees are broadly similar to current HMO licence fees.
- 7.3 Renewal applications will be charged a proposed fee of £785. This reduction is possible as some processing stages will not be required and information on the property will already be held.
- 7.4 The final fees will be determined by the Director of Neighbourhoods in consultation with the Executive Member.

## **8.0 Impact of Landlord Licensing**

- 8.1 Mandatory HMO licensing allows the Local Authority to apply additional standards to the private rented properties affected through licence conditions. Compliance inspections are then undertaken to determine whether the conditions of the licence are being adhered to.
- 8.2 Where non-compliance is found the Housing Compliance and Enforcement Team can undertake enforcement action against landlords by means of enforcement notices, civil penalties and prosecutions.
- 8.3 Enforcement notices are regularly served where officers identify items of disrepair in properties. Notices served under the Housing Act 2004 are accompanied by a demand notice charging for the officer's time. Where the landlord fails to address the matters identified on the enforcement notice, prosecution or a civil penalty notice can follow.
- 8.4 Prosecutions against landlords who have failed to apply for licences, where they have breached licence conditions, or where property conditions are extremely poor are undertaken. Between April 2013 and May 2018 the team successfully prosecuted 18 landlords, relating to 25 properties in the city, with fines totalling £214,110.51. These cases are then publicised to send a clear

message to landlords that stringent action will be taken where housing law is ignored.

- 8.5 Housing officers work closely with Compliance & Enforcement and Neighbourhood colleagues as well as partners from the universities to tackle issues around waste and noise emanating from licensed HMO properties in student areas. Where enforcement notices are served at a property in relation to noise or waste, Housing officers follow up to ensure Landlords are complying with the requirements of any HMO licence in place.
- 8.6 Enabling the enforcement of these standards, for example conditions around the management of anti-social behaviour and waste, has a positive impact on the neighbourhoods in which private rented properties are located by helping to professionalise the sector and minimise the detrimental impact some poorly managed rented properties can have.

#### **Case Study**

Concerns were raised about a private rented property by a Community Safety Manager following reports from GMP, ASBAT, the Early Help Hub and the Neighbourhood Team. There were serious concerns regarding the safety of tenants due to possible unlawful activities, including alleged substance misuse, and ASB which was affecting the neighbourhood. Concerns had also been raised around the general condition of the property including waste issues in the surrounding yard area.

When officers visited they noted a number of hazards included fire and gas safety concerns, dangerous electrics, inadequate heating and overcrowding. The exterior of the building was strewn with rotting vegetation, discarded furniture, broken white goods and other refuse.

During the inspection it was determined that the property was not safe for the current occupiers and an Emergency Prohibition Order was served. A prosecution case followed and the landlord was fined a total of £3,682 which included costs. The property is currently being renovated to bring it up to an acceptable standard before it can be re-let.

#### **9.0 Recommendation**

- 9.1 To note proposals for the implementation of the extension to HMO licensing, effective from October 2018 and to note the staffing resource required and approach to setting of fees as set out in Appendix 2.

**Appendix 1**

<b>Ward</b>	<b>Number of Licensed HMO's</b>
Ancoats and Clayton	3
Ardwick	68
Bradford	9
Charlestown	2
Cheetham	3
Chorlton	40
Chorlton Park	22
City Centre	5
Crumpsall	9
Didsbury East	8
Didsbury West	57
Fallowfield	133
Gorton North	4
Gorton South	4
Harpurhey	4
Hulme	13
Levenshulme	91
Longsight	81
Miles Platting & Newton Heath	2
Moss Side	89
Moston	1
Northenden	7
Old Moat	275
Rusholme	122
Whalley Range	27
Withington	306
<b>Grand Total</b>	<b>1385</b>



## Appendix 2

<b>Costs projected over 5 years (includes existing Licensed HMOs)</b>	
Upfront costs (Equipment, Training, Comms)	£90,000
Legal resource	£255,000
IT support (maintenance of online application system)	£85,000
Management costs	£722,280
Staffing Overheads at 20%	£966,541
Licence processing costs	£4,085,172
<b>TOTAL</b>	<b>£6,203,993</b>
No applications expected	6,300
<b>Fee per application</b>	<b>£985</b>

<b>Total HMO Staffing Proposed (includes existing staff)</b>	FTE Year 1	FTE Year 2 – 5
Business Support (G5)	7.5	5.5
Neighbourhood Officer (G7)	17	15
Neighbourhood Team Lead (G8)	3	3