

Decision taken

Made by an Executive Member or Chief Officer



MANCHESTER
CITY COUNCIL

Notice of Decision Made

Decision maker	Strategic Director - Neighbourhoods
Date of decision	17 th November 2022
What is the decision?	To approve the amendments to the House in Multiple Occupation Licence Fee
Reasons for the decision (but excluding any exempt or confidential information)	To recover the costs associated with the administration and undertaking of the mandatory HMO licence scheme
Alternatives considered and rejected	To subsidise this work
Interests Declared	None
Officer contact details For any further information	Name: Tim Birch Tel: 07552647201 Email: t.birch@manchester.gov.uk

Register of Key Decisions

Register of Key Decisions Reference	2022/10/19A
OR – if not published in the Register of Key Decisions	
Reasons for special urgency such that this was not published in a Register of Key Decisions	

Scrutiny Call In

Call-in deadline	24 November 2022 at 4:00pm
OR – if Exempt from Call-in	
Advice as to how any delay would seriously prejudice the legal or financial position of the Council	
Scrutiny Chair who agreed the urgency	

Date this notice was published	17 November 2022
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House in Multiple Occupation (HMO) Licence Fee Amendment 2022

Housing Compliance & Enforcement Team

Report to: **Neil Fairlamb – Strategic Director – Neighbourhoods**
Gavin White – Executive Member – Housing and Development

Introduction

A report to request approval to amend existing charges in relation to the mandatory houses in multiple occupation (HMO) licensing fee.

Changes proposed

On the 1st October 2018 the government extended the national mandatory HMO licensing scheme to include all private rented properties with 5 or more persons, from two or more households, who share amenities. It was projected that this would result in an additional 5000 properties that required a HMO licence.

The projected number of additional licences has not been realised and therefore the existing licence fee is not covering the costs of administering the scheme. This has prompted a review of the licence fee to ensure it is cost neutral.

Fees to be charged

The licence fee has been reviewed and the following proposed changes are recommended to ensure that the HMO licensing schemes operates on a cost neutral basis.

Licence Type	Existing Charge				Proposed Charge			
New Application	No of Occupants	Admin Fee	Grant Fee	Total Fee	No of Occupants	Admin Fee	Grant Fee	Total Fee
	5	£805	£180	£985	5	£865	£456	£1,320
	6 to 10	£905	£180	£1,085	6 to 10	£965	£456	£1,420
	10 to 14	£1,005	£180	£1,185	10 to 14	£1,065	£456	£1,520
	15 to 19	£1,105	£180	£1,285	15 to 19	£1,165	£456	£1,620
	20 to 24	£1,205	£180	£1,385	20 to 24	£1,265	£456	£1,720
	25 to 49	£1,305	£180	£1,485	25 to 49	£1,365	£456	£1,820
	50 +	£2,305	£180	£2,385	50 +	£2,265	£456	£2,720
Subsequent New Applications (£50 discount per subsequent application)	No of Occupants	Admin Fee	Grant Fee	Total Fee	No of Occupants	Admin Fee	Grant Fee	Total Fee
	5	£755	£180	£935	5	£815	£456	£1,270
	6 to 10	£855	£180	£1035	6 to 10	£915	£456	£1,370
	10 to 14	£955	£180	£1135	10 to 14	£1,015	£456	£1,470
	15 to 19	£1055	£180	£1235	15 to 19	£1,115	£456	£1,570
	20 to 24	£1155	£180	£1335	20 to 24	£1,215	£456	£1,670
	25 to 49	£1255	£180	£1435	25 to 49	£1,315	£456	£1,770
	50 +	£2255	£180	£2335	50 +	£2,215	£456	£2,670

Renewal Applications (£200 Discount)	No of Occupants	Admin Fee	Grant Fee	Total Fee	No of Occupants	Admin Fee	Grant Fee	Total Fee	
	5	£605	£180	£785	5	£665	£456	£1,120	
	6 to 10	£705	£180	£885	6 to 10	£765	£456	£1,220	
	10 to 14	£805	£180	£985	10 to 14	£865	£456	£1,320	
	15 to 19	£905	£180	£1085	15 to 19	£965	£456	£1,420	
	20 to 24	£1005	£180	£1185	20 to 24	£1,065	£456	£1,520	
	25 to 49	£1105	£180	£1285	25 to 49	£1,165	£456	£1,620	
	50 +	£2105	£180	£2285	50 +	£1,865	£456	£2,320	

The additional fee for larger properties with a higher number of occupants is required to recover the additional staff processing and inspection costs in relation to larger properties.

Fee breakdown

The licence fee is split into 2 parts. The initial fee is the cost of administering the scheme and the cost of undertaking a property inspection prior to a licence being issued. The second part is a grant fee, that is only payable once the 1st part of the application has been successful. The grant fee covers the cost of managing the HMO licence scheme.

The increase in the grant fee is the most significant change in setting the new fee. The increase is from £180 to £456. This is because it has been identified that there are tasks that we undertake to manage the HMO licensing scheme that were not considered when the previous fee was set. This occurred due to uncertainty in new case law at the time. Consultation with legal services and an external Barrister has been undertaken to ensure we have the correct legal basis for making the additional charges in the grant fee. The additional charges relate to investigating properties suspected of requiring a HMO licence, investigating complaints made about HMO properties in the scheme and the cost of undertaking compliance inspections, which are undertaken at every property once, over the period of the licence.

Fee Costs & Income

The maximum length of time an HMO licence can remain in place is 5 years and then, if still required, a renewal application must be made. As the maximum licensing cycle is a 5-year period then costs and income are calculated over 5 years. A small number of landlords will be offered a licence of less than 5 years, for example, there is a lack of confidence in the management of the HMO property.

Costs & Income projected over 5 years	Cost
Licensing processing costs	£2,675,328
Legal Resource	£164,421
I.T Support	£135,270
Management Costs	£630,805
Staffing overheads at 20%	£126,161
Total Costs	£3,731,985
Total Licence Income Projected	£3,746,391

Deficit / Surplus	£14,406
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The above table shows that the new fee structure proposed for HMO licensing may result in a small surplus at the end of the 5-year licensing cycle in 2026/27. However, this should be treated with caution as it is based on the presumption that all landlords renew promptly each year and that a total of 175 new application are received each year. Both factors can have variance. Therefore, it is intended to identify and review any surplus or indeed deficit that occurs via the annual fees review process and take any suitable corrective action to ensure a cost neutral budget at the end of the 5-year period.

Consultation

The setting of the licence fee is a delegated function and does not require public consultation. The fee should recover only the costs of administering and managing the scheme.

Alternative Options

The current HMO licence fee has not been reviewed in 4 years and will not currently recover the costs of administering and managing the scheme. If the fee was not reviewed, then the scheme would require subsidising.

Review

The HMO licence fee will be reviewed on an annual basis to ensure that both costs and income projections are accurate and where necessary the fee will be increased or decreased to ensure a cost neutral scheme is delivered.

Decision

As Strategic Director of Neighbourhoods with delegated authority I have reviewed the proposed amendments to the existing HMO licence fee and approve this, in consultation with the Executive Member for Housing & Development.

Signed - Neil Fairlamb
Strategic Director – Neighbourhood

Date

Signed - Gavin White
Executive Member – Housing and Development

Date