### ABERDEEN CITY COUNCIL

COMMITTEE Housing and Environment

DATE 11<sup>th</sup> March 2014

DIRECTOR Pete Leonard

TITLE OF REPORT Proposed HMO Licence Fees for 2014/15

REPORT NUMBER H&E/14/025

### PURPOSE OF REPORT

The purpose of this report is to seek Committee's approval to set revised HMO Licensing fees from 1st April 2014.

# 2. RECOMMENDATION(S)

It is recommended that committee agree to: -

1. Implement the new fee structure for the period of 2014/15 as set out in the following table, which shows a 10% reduction on the 2013/14 fees.

RENEWALS				NEW APPL	NEW APPLICATIONS				
No. Tenants	Fee £	Part 1 £	Part 2 £	No. Tenants	Fee £	Part 1	Part 2 £		
3 - 5	250	125	125	3 - 5	495	370	125		
6 - 10	360	235	125	6 - 10	720	600	120		
11 - 20	675	550	125	11 - 20	1,350	1,225	125		
21 - 50	1,260	1,090	170	21 - 50	2,520	2,355	165		
51 - 100	2,115	1,785	330	51 - 100	4,230	3,900	330		
101 - 200	3,420	2,920	500	101 - 200	6,840	6,340	500		
201 +	3,690	3,025	665	201 +	7,380	6,715	665		

# 3. FINANCIAL IMPLICATIONS

The HMO Licence fee is raised for the purposes of processing HMO applications as per Part 5 of the Housing (Scotland) Act 2006 and the Provision of Services Regulations 2009, and is ringfenced solely for the purposes of HMO Licensing activities.

# 4. OTHER IMPLICATIONS

There are no other issues that have not already been addressed within this report.

#### 5. BACKGROUND/MAIN ISSUES

- 5.1 The fee currently in place was set having taken into consideration representation by Landlords at the Housing and Environment Committee in March 2013.
- 5.2 HMO Licensing is a statutory function imposed on local authorities under the Housing (Scotland) Act 2006, Part 5, s124. The setting of fees is covered under s161. The Scottish Ministers also issue statutory guidance for the operation of HMO Licensing duties and the setting of fees. The authority must also take cognisance of the Provision of Services Regulations 2009.
- 5.3 The HMO Licensing duties for Aberdeen City Council are performed by the Private Sector Housing Unit. There are currently 6.8fte staff working on HMO duties, these staff comprise;
  - HMO inspecting Officers who are responsible for on-site HMO Licence applications and enforcement duties, unit manager and administration staff.
- 5.4 The 2013/14 cost of administering the service is forecast to be circa £290,424 against a projected income of £205,000, thus leaving a negative balance of £85,424 to be offset against the carry forward of £313,521 from previous years. The above figures take account of all corporate costs and make an allowance for Legal fees incurred in operating the service. It is anticipated that this will mean that a carry forward of £228,097 will be taken into the 2014/15 budget. This carry forward is a historical surplus from previous years that the Council is now endeavouring to reduce to balance over a 3 year period.
- 5.5 In calculating the fees, **for 2014 15**, officers have taken into consideration the running costs of the unit, including corporate and legal costs, along with the number of new applications we could reasonably expect to receive plus renewals from current licenses that are due to expire. An attempt has been made to factor potential additional new cases found through continued enforcement activities.

No. Tenants	New applicant	FEE £	Possible Renewals	FEE £	Income £	Cost Difference
						to Budget
3 – 5	146	495	280	250	142,270	
6 – 10	11	720	24	360	16,560	
11 – 20	1	1,350	1	675	2,025	
21 – 50	1	2,520	1	1,260	3,780	
51 – 100	4	4,230	2	2,115	21,150	
101- 200	0	6,840	0	3,425		
201 +	0	7,380	0	3,690		
Sub total	163	308			185,785	
TOTAL 471						
Budget 2014 - 15 292,381						- £106,596
Forecast – Carry forward from 31st March 2014 228,097						
Carry forwar	£121,501					

In arriving at these fees, officers have predicted an operating cost of £292,381 to carry out the HMO functions; this is detailed in Appendix 1. An income of £185,785 from the new fee structure is anticipated thus leaving a potential surplus of £121,501 to carry forward into 2015/16. This surplus will help to compensate for any discrepancy in applications not being realised and will be reviewed in setting the 2015/16 fee structure.

It will be noted that there is a figure of £228,097 which is forecast to be brought forward from previous years' income. In order to achieve a balanced budget over a 3 year period, previous fee setting has endeavoured to reduce this carry forward by reducing fees. It is anticipated that the predicted overspend for 2013 – 14 will not be achieved therefore failing to reduce the carry forward by as much as predicted.

The above fee scales are based on a 3 year rolling budget which is the life span of a HMO Licence and takes note of the guidance from our external auditors. Therefore, in order to bring the reduction back on target, officers are proposing a further reduction of circa **10%** for 2014/15 to help reduce the surplus to a manageable level.

**In conclusion**; officers have endeavoured to set a HMO Licence fee for 2014 - 15 that reflects the anticipated workload of the unit based on predicted income against known expenditure while endeavouring to comply with the requirements of the Housing (Scotland) Act 2006 and the Services Directive 2009.

#### 6. IMPACT

This report will be of interest to all private sector landlords in the city who either operate or intend to operate an HMO property as the fee relates directly to their operating costs.

# 7. MANAGEMENT OF RISK

It is impractical to accurately identify the number of applications that will be received for an HMO Licence. Assumptions have been made that all current Licences due to expire in 2014/15 will be renewed and the number of new applications reflects that lodged during 2013/14. There is little or no risk to the budget should the actual numbers fall short of that, while an increase will result in the Council having to make further reductions to the fee in following years.

# 8. BACKGROUND PAPERS

# 9. REPORT AUTHOR DETAILS

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# Appendix 1 Houses in Multiple Occupation

nouses in Multiple Occupation	_		
	Outturn		
	Forecast	Budget	
Financial Years	2013/14	2014/15	
	£s	£s	
Staff Costs	23	23	
	204.020	407.060	
Salaries (including on costs)	204,029	197,968	
	204,029	197,968	
Administration Costs			
Printing	0	300	
Stationery	150	500	
Legal Expenses	10,000	10,000	
Logar Exponedo	10,000	10,000	
Mobile Phone/Pagers	300	250	
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Courses	2,000	4,000	
Advertising	5,000	5,000	
Management & Admin Costs	6,938	6,400	
Charges - Central Support	48,081	55,000	
	72,470	81,450	
Transport Costs	, •	01,100	
Hire of Taxis	0	150	
	7,000	6,500	
Travelling Expenses - Aptc & Co		•	
Car Parking	5,125	4,713	
	12,125	11,363	
Supplies & Services			
Software Purchases	1,600	1,250	
Other Expenditure	200	350	
	1,800	1,600	
Expense Total	290,424	292,381	
Income			
Fees-Hous'G Multi Occup	-205,000	-185,785	
1 ees-1 lous & Multi Occup	-203,000	-105,705	
		405 505	
Income Total	-205,000	-185,785	
Net Expenditure/(Income)	85,424	106,596	
-			
Previous Year(Income)/expenditure b/f	313,521	228,097	
` , .	010,021	220,001	
Net Balance for year	220 007	104 E04	
Carry Forward	228,097	121,501	