

ABERDEEN CITY COUNCIL

COMMITTEE	Community, Housing and Infrastructure
DATE	15 th March 2016
DIRECTOR	Pete Leonard
TITLE OF REPORT	HMO Licence Fee 2016 -17
REPORT NUMBER	CHI/16/035
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

The purpose of this report is to seek Committee's approval to set revised HMO Licensing fees from 1st April 2016.

2. RECOMMENDATION(S)

It is recommended that committee agree to: -

1. Continue with the current HMO Licence fee structure for 2016/17 as set out in the following table as from 1st April 2016.

RENEWALS				NEW APPLICATIONS		
No. of Tenants	Fee £	Part 1 £	Part 2 £	Fee £	Part 1 £	Part 2 £
3 – 5	400	300	100	495	370	125
6 – 10	500	400	100	720	600	120
11 – 20	900	800	100	1,350	1,225	125
21 – 50	1,500	1,400	100	2,520	2,355	165
51 – 100	2,400	2,300	100	4,230	3,900	330
101- 200	3,700	3,600	100	6,840	6,340	500
201 +	4,000	3,900	100	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 current fee structure was set taking into consideration representation by landlords at the Housing and Environment Committee in March 2013 and subsequent annual outturns. This representation was in direct response to a steep increase in the HMO fee with the surplus income being absorbed into the General Fund. After due consideration it was decided to reduce the HMO fee as necessary to meet the anticipated income.
- 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 2014/15** cost of administering the service came in slightly lower than forecast, at £261,506 against an income of £148,124, thus leaving a negative balance of £113,382. When offset against the previous years carry forward of £221,551.46 left an operating surplus of £108,169.27 which carried into 2015 - 16. The above figures take account of all corporate costs and make an allowance for Legal fees incurred in operating the service. More detail on these figures can be viewed in Appendix 1 at the end of this report.
- 5.5 **Projected Income 2015 - 16;** it is currently anticipated that operating costs for the financial year 2015 -16 will be circa £276,000 while fee income is predicted to be circa £261,000 presenting an operating loss of £15,000. On that basis it is anticipated that there will be a carry forward of approximately £90,000. The above figures take account of all corporate costs and make an allowance for Legal fees incurred in operating the service.
- 5.6 **2016 – 17 Predictions;** there are 346 HMO licences due to expire in 2016 – 17, 318 of which will be in the 3 – 5 bed category. The total income from all of these renewal applications based on the current fee would raise an income of £171,500. If we assume the same number of

new applications of 120 as occurred in 2015, then that will generate an income of £59,400.

The total income therefore will be £230,900 against a projected operating cost of £276,000 leaving an operating loss of £40,100 to be absorbed by the carry forward from 2015/16 of £90,000. Therefore, the projected carry forward into 2017 – 18 would be £44,900.

- 5.7 In calculating the fees, for 2016 - 17, 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 licences that are due to expire. An attempt has been made to factor potential additional new cases found through continued enforcement activities.

In conclusion; officers have endeavoured to set an HMO Licence fee for 2016-17 that reflects the anticipated workload of the unit based on predicted income and current year's balance, against known expenditure, and taken cognisance of the issues highlighted under Item 7.0 Management of Risk, while also endeavouring to comply with the requirements of the Housing (Scotland) Act 2006 and the Services Directive 2009. While there are some unknowns the fact that the Council has to balance its HMO budget over a rolling 3 year period allows us scope to make adjustments on an annual basis to truly reflect the service needs. For this reason it is recommended that Aberdeen City Council retain the current HMO Licence fee for the financial year 2016-17.

6. IMPACT

Improving Customer Experience – N/A

Improving Staff Experience – N/A

Improving our use of Resources – N/A

Corporate - N/A

Public – N/A

7. MANAGEMENT OF RISK

It is impractical to accurately identify the number of applications for an HMO Licence that will be submitted to the Council during 2016/17, therefore the following assumptions have been made: -

- That all 346 HMO licence-holders whose licence is due to expire in 2016/17 will apply to renew their licences, and

- We will receive the same number of “first time” HMO Licence application, i.e. 120 that we received during 2015/16.

There is a slight risk to the budget in that the number of actual applications may fall short of the predicted numbers, thus requiring the Council to adjust the Licence fee upwards for the following year, while an increase in the amount of applications may result in the Council having to make reductions to the fee in following years. The budget should ideally balance over a three year period.

There is however additional risks this year to those mentioned above. These are: -

- The downturn in the oil and gas industry is having a knock-on effect on the private rented housing market in Aberdeen inasmuch as for the first time in several years, there is a reduction in demand thus resulting in a reduction in rents. It is unknown what impact this will have on dissuading new HMO Landlords to invest in the market for the first time.
- In addition to this, there are at least 25 purpose built student accommodation residences either currently under construction, or in the development pipeline, which will result in an additional 2,5000 student bed spaces across the City, should they all proceed. Although HMO accommodation is not solely occupied by students, they do form a large part of the HMO clientele. Therefore, it is anticipated that this number of additional spaces must impact on the smaller HMO provider.

Given the above assumptions and risks, officers are recommending resisting a further reduction in the HMO Licence at this time even although we are predicting an operating surplus of £44,900, or 16% of the anticipated annual operating cost.

8. BACKGROUND PAPERS

- Part 5 of the Housing (Scotland) Act 2006,
- The Provision of Services Regulations 2009
- Licensing Committee, June 2010 HMO Licence fees

9. REPORT AUTHOR DETAILS

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Appendix 1

Houses in Multiple Occupation			
Financial Years	2012/2013	2013/14	2014/15
Staff Costs	£s	£s	£s
Salaries (including on costs)	193,004.00	204,548.00	189,945.00
	193,004.00	204,548.00	189,945.00
Administration Costs			
Printing	270.00	881.00	0.00
Stationery	894.00	116.00	114.00
Legal Expenses	6,544.00	3,348.00	1,324.00
Mobile Phone/Pagers	276.00	218.00	283.00
Courses	3,044.00	1,607.00	1,369.00
Conferences	0.00	0.00	0.00
Meetings	0.00	0.00	0.00
Advertising	4,922.00	4,788.00	0.00
Other Admin	0.00	0.00	0.00
Management & Admin Costs	6,870.00	6,584.28	6,614.74
Charges - Central Support	49,803.00	48,562.28	49,047.90
	72,623.00	66,104.55	58,752.64
Transport Costs			
Travelling Expenses - Aptc & Co	6,397.00	6,299.00	5,110.00
Car Parking	3,801.00	5,124.00	4,906.00
	10,198.00	11,423.00	10,016.00
Supplies & Services			
Consultant Fees	0.00	0.00	0.00
Equipment Purchases	0.00	0.00	0.00
R&M Equipment General	0.00	0.00	0.00
Materials General	0.00	0.00	0.00
Catering Provisions	0.00	0.00	0.00
Furniture	0.00	0.00	0.00
Software Purchases	0.00	2,138.00	2,051.00
Computer Consumables	0.00	0.00	0.00
Other Expenditure	0.00	154.00	742.00
	0.00	2292.00	2793.00
Expense Total	275,825.00	284,367.55	261,506.64
Income			
Fees-Hous'G Multi Occup	(270,214.60)	(192,398.00)	(148,124.00)
	(270,214.60)	(192,398.00)	(148,124.00)
Income Total	(270,214.60)	(192,398.00)	(148,124.00)
Net Expenditure/(Income)	5,610.40	91,969.55	113,382.64
Previous Year(Income)/expenditure b/f	(319,131.86)	(313,521.46)	(221,551.91)
Net Balance for year	5,610.40	91,969.55	113,382.64
Carry Forward	(313,521.46)	(221,551.91)	(108,169.27)