

---

ABERDEEN CITY COUNCIL

---

COMMITTEE	Communities, Housing and Infrastructure
DATE	24 <sup>th</sup> January 2017
DIRECTOR	Pete Leonard
TITLE OF REPORT	HMO Licence Fee 2017 -18
REPORT NUMBER	CHI/16/305.
CHECKLIST COMPLETED	Yes

---

1. PURPOSE OF REPORT

The purpose of this report is to seek Committee's approval to set HMO Licensing fees from 1<sup>st</sup> April 2017.

2. RECOMMENDATION(S)

It is recommended that committee agree to: -

1. Maintain the current HMO application fees as set out in the following table for 2017-18.

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. It is estimated that the current fee will see the Council operate the HMO Licensing service at a

£46,045 loss during 2017/18 which will reduce the operating surplus to £48,733.

#### 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 There is currently circa 9,500 licenced HMO bed spaces provided across the City. There will be about 2,200 requiring to have their licenses renewed in 2017/18 with a further 940 coming onto the register for the first time.
- 5.3 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.
- 5.4 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.
- 5.5 **The 2015/16** cost of administering the service came in slightly lower than forecast, at £274,530 against an income of £264,693, thus leaving a negative balance of £9,837. When offset against the previous years carry forward of £108,169 left an operating surplus of £98,332 which carried into 2016 - 17. 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.
- 5.6 **Projected Income 2016 - 17;** it is currently anticipated that operating costs for the financial year 2016 -17 will be circa £281,666 while fee income is predicted to be circa £278,112 presenting an operating loss

of £3,554. On that basis it is anticipated that there will be a carry forward of £94,778. The above figures take account of all corporate costs and make an allowance for Legal fees incurred in operating the service.

- 5.7 **2017 – 18 Predictions**; there are 348 HMO licences due to expire in 2017/18, 320 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 £166,200

If we assume the same number of new applications as occurred in 2015, of 120, then that will generate an income of £73,755.

The total income therefore will be £239,955 against a projected operating cost of £286,000 leaving an operating loss of £46,045 for 2017/18 to be absorbed by the carry forward from 2016/17.

The projected carry forward into 2018 – 19 will therefore be £48,733, (see table below)

		Retaining Current fee structure
2016/17 Operating Costs (projected)		£281,666
2016/17 projected income		-£278,112
2016/17 Projected operating loss		£3,554
Brought Forward from 2015/16		-£98,332
2016/17 Carry Forward		-£94,778
Predicted income 2017/18		-£239,955
Predicted operating costs 2017/18		£286,000
2017/18 Predicted operating loss		£46,045
2016/17 Carry Forward		-£94,778
2017/18 Predicted operating loss		£46,045
Predicted carry forward to 2018/19		<b>-£48,733</b>

- 5.8 It is noted in the table above that the service will operate at a predicted £46,045 loss over the financial year 2017/18. This will reduce the current operating surplus to £48,733 by the year end. It should be noted however, that if in the event that the New Applications received equals that of 2016/17 at 170, the year end operating surplus will be circa £70,000

- 5.9 In calculating the fees, for 2017 - 18, 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 2017-18 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 maintains the current HMO Licence fee for the financial year 2017-18.

## 6. IMPACT

### **Improving Customer Experience –**

As this is an existing service to which there are no proposed changes there will be no impact on customers.

### **Improving Staff Experience –**

As this is an existing service to which there are no proposed changes there will be no impact on staff.

### **Improving our use of Resources – N/A**

This report has a neutral impact on resources.

### **Corporate - N/A**

This report has a neutral impact

### **Public –**

Report will be of interest to HMO Landlords.

## 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 2017/18, therefore the following assumptions have been made: -

- That all 348 HMO licence-holders whose licence is due to expire in 2017/18 will apply to renew their licences, and
- We will receive 120 “first time” HMO Licence application. (This is 50 less than received during 2016/17 but in keeping with previous years and reflecting new builds, (see below).

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 recent 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. While it does not appear to have had a detrimental effect on attracting new HMO landlords to the market in 2016/17. While HMO's do rely heavily on the student population inhabiting this is not their only market, and therefore it is unknown what impact the oil and gas industry will have on dissuading new HMO Landlords to invest in the coming years.
- In addition to this, there has recently been a number of purpose designed Student Accommodation units built and brought on line providing 841 bed spaces.
- 2 of those units require an HMO licence while the 3<sup>rd</sup> does not as it provides self contained units. A further 123 self contained units have become available with no licence required and a further 2,000 units are currently proposed and it is unknown at this time whether they will require a licence.
- Such a large increase in purpose built student accommodation will potentially impact on the traditional HMO market, thus creating a reduction in fee income, plus the inclusion of self contained units that do not require a licence will likewise have an impact.

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

Name: Andy Pitblado  
Job Title: Private Sector Housing Strategy Officer  
Email Address: [apitblado@aberdeencity.gov.uk](mailto:apitblado@aberdeencity.gov.uk)  
Phone Number: (52)2339

## Appendix 1

<b>Houses in Multiple Occupation</b>			
<b>Financial Years</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
<b>Staff Costs</b>	<b>£s</b>	<b>£s</b>	<b>£s</b>
Salaries (including on costs)	204,548.00	189,945.00	198,685
	204,548.00	189,945.00	<b>198,685</b>
<b>Administration Costs</b>			
Printing	881	0	30
Stationery	116	114	42
Legal Expenses	3,348.00	1,324.00	3,031
Mobile Phone/Pagers	218	283	1,238
Courses/Conferences	1,607.00	1,369.00	1,706
Management & Admin Costs	6,584.28	6,614.74	6,684
Charges - Central Support	48,562.28	49,047.90	49,784
	66,104.55	58,752.64	<b>62,513</b>
<b>Transport Costs</b>			
Travelling Expenses - Aptc & Co	6,299.00	5,110.00	4,290
Car Parking	5,124.00	4,906.00	6,000
	11,423.00	10,016.00	<b>10,290</b>
<b>Supplies &amp; Services</b>			
Software Purchases	2,138.00	2,051.00	
Computer Consumables/Licenses	0	2,073.00	2,073
Other Expenditure	154	742	969
	2292	2793	<b>3,042</b>
<b>Expense Total</b>	284,367.55	261,506.64	<b>274,530</b>
<b>Income</b>			
Fees-Hous'G Multi Occup	192,398.00	148,124.00	264,693
<b>Income Total</b>	192,398.00	148,124.00	<b>264,693</b>
<b>Net Expenditure/(Income)</b>	91,969.55	113,382.64	<b>9,837</b>
Previous Year(Income)/expenditure b/f	313,521.46	221,551.91	108,169
Net Balance for year	91,969.55	113,382.64	9,837
Carry Forward	221,551.91	108,169.27	<b>98,332.21</b>