

**REPORT TO:** Licensing Sub-Committee

**MEETING DATE:** Thursday 11 June 2015

**BY:** Depute Chief Executive (Resources and People Services)

**SUBJECT:** HMO Licensing Fees

---

## **1 PURPOSE**

- 1.1 The fee levels for the Licensing of Houses in Multiple Occupation (HMO) have not been altered since the introduction of the licensing regime in 2000. This report seeks to apportion new fee levels, taking into account inflationary increases since they were first set.
- 1.2 The fee bandings have also become outdated. This report further seeks to introduce new fee banding levels, taking into account changing demographics and demand levels for this type of accommodation, along with Welfare Reform measures.

## **2 RECOMMENDATIONS**

- 2.1 The Licensing Sub-Committee is invited to approve the proposed increase in existing fees, the imposition of an automatic annual increase to the fees in line with the Retail Price Index and the formation of new fee banding levels.
- 2.2 The Licensing Sub-Committee is requested to grant delegated authority to Council Licensing & Environment Officers, to enter into discussions with Higher and Further educational establishments or applicants with large portfolios, and grant authority to agree discounted fee levels.

## **3 BACKGROUND**

- 3.1 Licensing of Houses in Multiple Occupation was first introduced by the The Civic Government (Scotland) Act 1982 (Licensing of Houses in Multiple Occupation) Order 2000. This was repealed in 2006 and replaced by measures under the Housing (Scotland) Act 2006.

3.2 When the measures were introduced in 2000, East Lothian Council set the following Fee Levels for three year licences:

3-5 Occupants      £225

6-9 Occupants      £350

10 + Occupants      £500

3.2.1 No changes have been made to the fees that were set in 2000. The Retail Prices Index has increased by 88.7% during the period 1 April 2000 to 1 April 2015. Increasing the fees by this level would have the following outcome:

3-5 Occupants      £425

6-9 Occupants      £660

10+ Occupants      £944

3.2.2 Indeed this would still place East Lothian's fee levels firmly below the Scottish Average for the selected bandings:

3-5 Occupants      £671

6-10 Occupants      £810

11-20 Occupants      £1,117

3.3 The move of Queen Margaret University into East Lothian has meant that the bandings have now become outdated. The Student Accommodation at Queen Margaret University comprises 9 blocks, each containing between 14 and 20 flats. There are 158 flats in total across the 9 blocks, accommodating some 800 residents.

Each block has an HMO Licence meaning that there is an average of 89 residents per block. Therefore it is clear that the current maximum banding of 10+ is no longer appropriate.

Statutory Guidance does however allow for discounts to be applied to applications from large institutions such as Universities and Colleges, or those with applicants with large portfolios where units are built to a common design.

3.4 The move of the University into the County has also increased the demand for and supply of HMO Accommodation off campus, within the Musselburgh area.

3.5 The Welfare Reform measure that now restricts single persons under the age of 35 to receive the single room rate of Local Housing Allowance (previously under 25), has also meant an increase in the demand for HMO Accommodation in both East Lothian and Scotland as a whole.

3.6 Across Scotland the fee levels and bandings vary. However many Authorities have settled into the following banding structure:

3-5 Occupants

6-10 Occupants

11-20 Occupants

21-30 Occupants

31-40 Occupants

41-50 Occupants

51-75 Occupants

76-100 Occupants

101-200 Occupants

201+ Occupants

It is proposed that the HMO Licensing Fee Banding Structure within East Lothian be altered to mirror this structure.

3.6.1 This new Fee Banding Structure would result in the following fee levels (existing fee bands rounded to the nearest £50):

3-5 Occupants      £400

6-10 Occupants      £650

11-20 Occupants      £1,000

21-30 Occupants      £1,200

31-40 Occupants      £1,400

41-50 Occupants      £1,600

51-75 Occupants      £2,100

76-100 Occupants      £2,600

101-201 Occupants      £3,600

200+ Occupants      £4,600

This may be seen as a substantial increase but it reflects inflation throughout the period when there was no increase from which landlords have benefitted. It applies to premises that are generally being operated for commercial gain through rental income. The fee also generally applies for a three year period. It is therefore proposed that these fee levels should be introduced as of the 1 July 2015.

It is proposed that these fees should alter by a percentage provided by the Retail Prices Index on 1 April each year, commencing on the 1 April 2016.

- 3.7 The Provision of Services Regulations 2009 have mandated that it is no longer appropriate to charge an unsuccessful applicant the same amount as a successful one.
- 3.7.1 The Statutory HMO Guidance therefore suggests that a split is made between Initial Application Costs and Licence Maintenance Costs (for example future monitoring, inspection and enforcement costs).
- 3.7.2 With this in mind it is proposed that 20% of the fees are refunded to unsuccessful applicants for HMO Licences. This would equate to the costs involved in monitoring Licences once granted.
- 3.8 The proposed new bandings and fee levels will provide a more accurate reflection of the cost of work carried out within East Lothian Council when applications are received and processed for HMO Licences.

#### **4 POLICY IMPLICATIONS**

- 4.1 None

#### **5 EQUALITIES IMPACT ASSESSMENT**

- 5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

#### **6 RESOURCE IMPLICATIONS**

- 6.1 Financial – More accurate reflection of the costs incurred in assessing and processing applications for HMO Licences. The teams involved in the application process are Licensing, Environmental Protection, Building Standards, and Planning.
- 6.2 The fees are for Licences that generally last for 3 years. Licences can legally have terms as short as 6 months. A number of LA's in Scotland have reverted to providing 12 month licences, however the majority still operate with 3 years being the standard length.
- 6.2.1 The main reason for shortening a licence period would be where concerns are raised during the application process around the management, location or physical standards of a property. Committee can decide to grant a Licence for a shorter than normal period and to monitor the issues during that time.
- 6.3 There are currently 31 HMO Licences in East Lothian. 9 of these Licences are held by Queen Margaret University in respect of their student accommodation on Campus.

- 6.3.1 4 of these licences were renewed in 2014/15. 13 have or are due to renew in 2015/16, with 8 due to renew after the proposed date for the increase in fees of 1 July 2015. 14 Licences are due to renew in 2016/17, including the 9 Queen Margaret University Licences (although these will technically be new applications as the accommodation has recently been taken into the sole ownership of the University from the previous owners Queen Margaret University Student Solutions).
- 6.3.2 The majority of the licences currently fall into the 3-5 Occupant range, which will see a rise from the current £225 to £400.
- 6.3.3 Queen Margaret University's Licences will cost around £2,600 each on average, although as some blocks are larger than others some Licences may cost £3,600. Statutory Guidance does however allow for discounts to be applied to applications from large institutions such as Universities and Colleges, where units are built to a common design.
- 6.3.4 It is envisaged that ELC will engage in discussions with Queen Margaret University, prior to their need to submit new applications, with a view towards agreeing a mutually acceptable fee. Delegated Authority is being sought from Committee to allow for ELC Staff to enter into these discussions and to agree discounts to the fees due.
- 6.4 The Statutory HMO Guidance requires that Local Authorities charge fee levels that accurately reflect the costs involved in running the HMO Licence services. This means that not only should we not be over charging, but we should not under charge either.
- 6.5 Personnel - None
- 6.6 Other - None

## 7 BACKGROUND PAPERS

7.1 Scottish Government Guidance published in January 2012

"Licensing of Houses in Multiple Occupation: Statutory Guidance for Scottish Local Authorities" <http://www.gov.scot/Resource/0038/00387514.pdf>

<b>AUTHOR'S NAME</b>	Ewan Ritchie
<b>DESIGNATION</b>	Landlord Registration and HMO Licensing
<b>CONTACT INFO</b>	6763, eritchie@eastlothian.gov.uk
<b>DATE</b>	02/06/15