





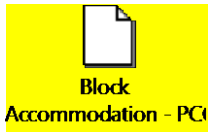
LICENSED HMO

Fee Review – Blocks vs Standard

January 2020



Item No	Item Description	Data Source																																																																																																																														
1	<p><u>HMO licence costs of Traditional style Licensable HMOs</u></p> <p>The 2019 HMO Licensing fees report concluded that the Local Authority cost of licensing, in traditional style licensable HMOs, was:</p> <ul style="list-style-type: none"> • New Licence = £898.98 per licence • Renewal Licence = £848.06 per licence <p>This was based on the data analysis breakdown of time and associated costs to perform tasks in relation to the HMO licensing process. The data analysis identified:</p> <p style="text-align: center;">HMO Licence - existing customer</p> <table border="1" data-bbox="311 1160 911 1288"> <thead> <tr> <th>Part</th> <th>Description</th> <th>Hours</th> <th>Rate</th> <th>Staff Cost</th> <th>Expenses</th> <th>Total Cost</th> <th>Price</th> <th>HRS</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>CCA (HMO)</td> <td>5</td> <td>£41.79</td> <td>£208.94</td> <td></td> <td>£208.94</td> <td>£208.94</td> <td>801</td> </tr> <tr> <td>2</td> <td>SCCO</td> <td>9.25</td> <td>£47.48</td> <td>£439.16</td> <td></td> <td>£439.16</td> <td>£439.16</td> <td>1481.85</td> </tr> <tr> <td>3</td> <td>TL (HI) casework</td> <td>1.75</td> <td>£50.42</td> <td>£88.23</td> <td></td> <td>£88.23</td> <td>£88.23</td> <td>280.35</td> </tr> <tr> <td>4</td> <td>Travel Time 20 mins e/w</td> <td>1</td> <td>£47.48</td> <td>£47.48</td> <td>£5.43</td> <td>£52.91</td> <td>£52.91</td> <td>160.2</td> </tr> <tr> <td>5</td> <td>TL (HI) enforce, prevent, educ</td> <td>1</td> <td>£50.42</td> <td>£50.42</td> <td></td> <td>£50.42</td> <td>£50.42</td> <td></td> </tr> <tr> <td colspan="2">TOTAL Cost of Providing Service</td> <td>18</td> <td>237.58</td> <td>834.23</td> <td>5.43</td> <td>£839.66</td> <td>£839.66</td> <td></td> </tr> </tbody> </table> <p style="text-align: right;"> Current Price £800.00 £850.00 Increase % 5.0% 6.3% </p> <p style="text-align: center;">HMO Licence - new customer</p> <table border="1" data-bbox="311 1442 911 1570"> <thead> <tr> <th>Part</th> <th>Description</th> <th>Hours</th> <th>Rate</th> <th>Staff Cost</th> <th>Expenses</th> <th>Total Cost</th> <th>Price</th> <th>HRS</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>CCA (HMO)</td> <td>5</td> <td>£41.79</td> <td>£208.94</td> <td></td> <td>£208.94</td> <td>£208.94</td> <td>801</td> </tr> <tr> <td>2</td> <td>SCCO</td> <td>9.25</td> <td>£47.48</td> <td>£439.16</td> <td></td> <td>£439.16</td> <td>£439.16</td> <td>1481.85</td> </tr> <tr> <td>3</td> <td>TL (HI) casework</td> <td>1.75</td> <td>£50.42</td> <td>£88.23</td> <td></td> <td>£88.23</td> <td>£88.23</td> <td>280.35</td> </tr> <tr> <td>4</td> <td>Travel Time 20 mins e/w</td> <td>1</td> <td>£47.48</td> <td>£47.48</td> <td>£5.43</td> <td>£52.91</td> <td>£52.91</td> <td>160.2</td> </tr> <tr> <td>5</td> <td>TL (HI) enforce, prevent, educ</td> <td>2</td> <td>£50.42</td> <td>£100.84</td> <td></td> <td>£100.84</td> <td>£100.84</td> <td></td> </tr> <tr> <td colspan="2">TOTAL Cost of Providing Service</td> <td>19</td> <td>237.58</td> <td>884.65</td> <td>5.43</td> <td>£890.08</td> <td>£890.08</td> <td></td> </tr> </tbody> </table> <p style="text-align: right;"> Current Price £800.00 £900.00 Increase % 11.3% 12.5% </p> <p>The outcome of the 2019 HMO Licensing fees report was that we had sufficient information to justify the current licence fee rates of:</p> <ul style="list-style-type: none"> • New Licence = £900 per licence • Renewal Licence = £850 per licence <p>Please see the attached document/s for more information.</p>	Part	Description	Hours	Rate	Staff Cost	Expenses	Total Cost	Price	HRS	1	CCA (HMO)	5	£41.79	£208.94		£208.94	£208.94	801	2	SCCO	9.25	£47.48	£439.16		£439.16	£439.16	1481.85	3	TL (HI) casework	1.75	£50.42	£88.23		£88.23	£88.23	280.35	4	Travel Time 20 mins e/w	1	£47.48	£47.48	£5.43	£52.91	£52.91	160.2	5	TL (HI) enforce, prevent, educ	1	£50.42	£50.42		£50.42	£50.42		TOTAL Cost of Providing Service		18	237.58	834.23	5.43	£839.66	£839.66		Part	Description	Hours	Rate	Staff Cost	Expenses	Total Cost	Price	HRS	1	CCA (HMO)	5	£41.79	£208.94		£208.94	£208.94	801	2	SCCO	9.25	£47.48	£439.16		£439.16	£439.16	1481.85	3	TL (HI) casework	1.75	£50.42	£88.23		£88.23	£88.23	280.35	4	Travel Time 20 mins e/w	1	£47.48	£47.48	£5.43	£52.91	£52.91	160.2	5	TL (HI) enforce, prevent, educ	2	£50.42	£100.84		£100.84	£100.84		TOTAL Cost of Providing Service		19	237.58	884.65	5.43	£890.08	£890.08		<p>(2018-19)</p> <p> 2019 HMO Licensing Data Analysis - V1.xls</p> <p> Cost recovery HMO service.pdf</p> <p> Accounts Summary of HMO Licence Review</p>
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<p>2</p>	<p><u>How does this fee apply to Block style Licensable HMOs?</u></p> <p><u>Test cases</u></p> <p>To understand how we can justify the HMO licence fee structure, when applying to block style licensable HMOs (i.e. a converted block, containing flats of multiple occupation, each by 5 or more persons) we needed to undertake some test case scenarios. For this we agreed an independent rate of £520 per licence, for 15 licences, across two block style accommodation properties.</p> <p><u>Test Case 1</u> On 22nd July 2019 – we inspected 5 out of 6 x licensable flats at Cornwall Heights, 75-77 Cornwall Street, Plymouth, a property that is under the HMO management of Clever Student Lets.</p> <p><u>Test Case 2</u> On 5th September 2019 – we inspected 9 x licensable flats at Ocean House, 10 Kinterbury Street, Plymouth, a property that is also under the HMO management of Clever Student Lets.</p> <p>Following a review of the data analysis from the test cases, we are able to see variations, mainly in respect of time for inspection and associated travel costs.</p> <p>These findings have highlighted a significant reduction in the time required by Senior Community Connections Officers in undertaking their specific duties/tasks. Some factors that contribute to this are;</p> <ol style="list-style-type: none"> 1. The units of accommodation are close in proximity 2. They have shared communal areas 3. There is commonly a Single Point of Contact 4. There are commonly well organised facilities maintenance contracts leading to better standards and less hazards <p>Please see the attached document/s for more information.</p>	 <p>HMO Fees Blocks v Standard data analysis:</p>
<p>3</p>	<p><u>So, what should the HMO licence fee be?</u></p> <p>Firstly we must acknowledge that there is a difference, in terms of costs, when comparing ‘Single Property Licensing’ (i.e. Standard) and ‘Multiple Property Licensing’ (i.e. Blocks containing 5 or more LHMOs).</p> <p>I have run the data analysis through the same framework that was used by PCC Accounts for ‘Single Property Licensing’ costs in the 2019 Fees Review. This has indicated an estimated reduction of 32.6%. These figures were sent to be ratified by PCC Accounts (Helen/Becky) on 27.11.19 with my initial estimation/findings that a licence fee should be Circa £606.30 for initial licence. (please see below)</p>	

HMO Licence - new customer									
Part	Description	Hours	Rate	Staff Cost	Expenses	Total Cost	Contingency	Price	
1	CCA (HMO)	4.64	£48.00	£223.02		£223.02		£223.02	
2	NCCO	4.29	£52.95	£227.17		£227.17		£227.17	
3	TL (H) casework	1.59	£50.37	£80.09		£80.09		£80.09	
4	Travel Time 30 mins e/w	0.2	£50.44	£10.09	£5.43	£15.52		£15.52	include % if required.
5	TL (H) enforce, prevent, educ	1.2	£50.42	£60.50		£60.50		£60.50	Additional hour added for new clients
TOTAL Cost of Providing Service		11.92	237.58	600.07	5.43	£606.30	0%	£606.30	allowance for 19/20 1% inflationary increase
								Current Price	£900.00
								Increase %	-32.0%

I have received confirmation from Becky Sampson on 21.01.20 (email attached) that my estimated figures are correct.

I therefore propose that we charge a fee of £610 (Flat rate with no discounts) for licensable HMO's, contained in a block, where 5 or more require licensing. This is a paper based application that sits outside of the online process. It is the intention to process these licences and then look how to integrate it into an online process ahead of the next renewal period. These licences would therefore not be subject to change in costs of split fees when this affects the core business this year.


4 **What is the projection over the next 5 years of licence fees to be received, on current rates, through renewal of HMO licences?**

Unlike the standard HMO portfolio, we are not able to estimate growth in the market of Block Accommodation HMO's, as this is generally based on planning and development of the city.

What we can say is that we have identified 113, what we believe to be licensable HMO's contained within block style accommodation. 15 of these properties formed the test cases which had an agreed fee of £520. The remaining 98 properties would be subject to the agreed new fee level of £610. The licences would last 5 years and it is very probable, given the nature of these buildings, that they would remain licensable in the future.

Financial Year	Number of New	Predicted Income
2019-2020	15	£7,800 (received)
2020-2021	98	£59,780
2021-2022	0	£0
2022-2023	0	£0
2023-2024	0	£0
2024-2025	15	£7,800
2025-2026	98	£59,780

These amounts are in addition to our core business of HMO's which is Circa 1250.

<p>5</p>	<p style="text-align: center;"><u>Would we be able to justify this?</u></p> <p>The Local Authority is currently facing unprecedented times of fiscal challenge, and therefore it is necessary to evaluate all options of increased revenue.</p> <p>There has been careful consideration given to the stock levels of converted block style accommodation in the city. The legislation does not support that HMO's in converted buildings are exempt from HMO licensing (if they are not managed by a University) and therefore we needed to look at this area. For due diligence we have also run test cases to formally assess the resourcing requirements and differences to our business as usual HMOs.</p> <p>If challenged on our licence fees, we would look to respond by advising of the calculated time per licence and that when the Authority's cost recovery model is applied (for associated direct costs, onward costs and support services) this has culminated in the current fee structure that will be reviewed on an annual basis.</p>	
<p>6</p>	<p style="text-align: center;"><u>What are the risks? (minimal)</u></p> <p>The fundamental arguments that will underpin if a block style accommodation contains licensable HMO's are:</p> <ol style="list-style-type: none"> 1) Does the building contain accommodation that would be considered licensable under The Licensing of Houses in Multiple Occupation (Prescribed Description) (England) Order 2018 2) Definition of a self-contained flat (see attached document) 3) Definition of a converted building (see attached document) <p>If a property we have identified as licensable, could successfully defend that the building is not a converted building, then we would not be able to proceed.</p> <p>However, there is minimal cost to the council in respect of this and we have given consideration to what we believe are the factors making a property licensable.</p>	 <p>HMO licensing additional guidance.docx</p>
<p>7</p>	<p style="text-align: center;"><u>What challenges were faced when producing this report?</u></p> <ol style="list-style-type: none"> 1) The lack of clear definition of what is 'purpose built' has meant that we have needed to apply a logical reasoning, that if any of the original structure remains, but the internal layout has changed, this is conversion. If the property had been completely demolished and a new structure built, this is purpose-built. 2) Recognising that there would be resourcing differences between this style of accommodation and our standard HMOs meant that we needed new data. The only way to achieve this was to run test cases and agree a notional fee for doing so. We achieved this with Cornwall Heights and 	

	<p>Ocean House from Clever Student Lets at an agreed fee of £520 per licence for 15 licences. The information gather was invaluable to help us assess the realistic costs to apply to licensable HMO's in a block containing 5 or more HMOs.</p> <p>3) Another challenge is that we are unable at present to integrate the application process for block style accommodation into our online system. This is for the following reasons:</p> <ul style="list-style-type: none"> a) To integrate would allow discounts to apply but we believe the £610 should be a fixed fee. b) We are in the transition of moving to Esuasive who are integrating the application form into the new system and as such, changes are difficult to achieve at this time. c) We will have upcoming changes to incorporate a 2-stage payment system that need to be integrated as a greater priority. <p>To mitigate the above we have already developed a paper based application for the Blocks that can be used on these initial applications which would afford us a long time period to understand how best to integrate blocks into the online application system ahead of renewals.</p>	
8	<p style="text-align: center;"><u>Summary</u></p> <p>I believe that the proposed HMO licence fee of £610 per HMO licence application submitted (where there are 5 or more licensable HMOs in the same building), is an appropriate fee level for Plymouth City Council to recover its costs. This is a view that is also shared by Helen Foote and Rebecca Sampson who have been consulted as part of bringing this report together.</p> <p>If you have any questions that rise, when reviewing this report, please do not hesitate to contact me so we can discuss these further.</p>	
9	<p><u>Horizon Scanning – Item (2) 2-Stage Payment Process</u></p> <p>This is a piece of work that has required a lot of development. To effectively implement a 2 stage payment structure (i.e. to be considered lawful in accordance with the European Services Directive) I need to canvass other Local Authorities, who have already adopted this, to see what impact this has had/will have on:</p> <ul style="list-style-type: none"> • Additional time required to process a HMO licence application? • Additional resource required? • Licence fee level setting? 	

- Dealing with challenges and being robust to challenges?
- Communication of changes to the sector?
- What impact, if any, Brexit may have?

The above has been reliant upon other LA's being happy to support with information, whilst already under significant time demands. This will also be at the behest of availability of persons to share information, not necessarily at a time of my choosing.

I have gathered the information, and am in the process of completing a report for senior manager review which will suggest a solution plan, which will include;

- Proposed required resourcing levels
(projected over 5 years, based on renewal numbers and an assumed no further changes to legislation).
- Proposed structure of resourcing levels
(to ascertain effective management of service delivery and control of costs so as not to negatively impact on Licence Fee setting and robustness to challenges).
- Proposed income generation
(projected over 5 years, based on renewal numbers and an assumed no further changes to legislation).

Following review and initial approval from Community Connections Service Director, we would then have to put the proposal out to consultation. For this I would suggest that the Private Rented Sector Partnership Group is the ideal forum to utilise. Consultation period would be advised to be 1 month as a means to try and keep a tighter hold on timescales for project delivery.

My initial targets were to try and achieve the following project timelines;

- LA consultations by mid-November 2019
Completed late-November 2019
- Initial Report to CC managers by end-November 2019
New target end-January 2020
- PFH review early-December 2019
New target end-January/early-February 2020
- PRSPG Consultation mid-Dec 2019 to end-Jan 2020
New target February 2020 to March 2020
- Re-iteration reviews mid-Feb 2020
Subject to requirement
- Submission for Board Approval end-Feb 2020
To be advised
- Implementation for start of new financial year in April 2020

This may now be difficult to achieve.

Strengths

- As a result we would comply with the European Services Directive and have a 'lawful' 2-stage payment process for HMO licensing.
- We would have a reasonable justification to incorporate a HMO licence fee rise in 2020.

Weaknesses

- It is a lot of work in a short space of time and if one element falls down, it could jeopardise project delivery for the start of the next financial year.

Opportunities

- There is an opportunity to review our current delivery structure for the application and payment stage of HMO licensing, including effective management and maximising potential.
- Additional resource will create learning and development opportunities for individuals and potentially career progression.

Threats

- This is going to increase the licence fee for all applicants, when only a very small number of licences are actually not granted at application stage. Therefore I would anticipate some resistance from the sector.