

Item

Extension of Mandatory Licensing for Houses in Multiple Occupation

**To:**

Councillor Kevin Price, Executive Councillor for Housing

Housing Scrutiny Committee June 19th 2018

Report by:

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Wards affected:

Abbey, Arbury, Castle, Cherry Hinton, Coleridge, East Chesterton, King's Hedges, Market, Newnham, Petersfield, Queen Edith's, Romsey, Trumpington, West Chesterton

1. Executive Summary

- 1.1 In December 2017 the government announced that it would proceed with extending mandatory property licensing of houses in multiple occupation (HMOs).
- 1.2 Having gained Parliamentary approval, the necessary regulations will be brought into force on 1st October 2018.
- 1.3 In Cambridge it has been estimated from existing sources of information we hold that we would have in the region of 1450 properties that will fall within the scope of Mandatory Licensing.
- 1.4 The impact on the public sector is that local authorities will be obliged to licence more HMOs than they currently do. The Council may take account of all its costs of running the licensing scheme (under Part 2 and Chapter 1 of Part 4 of the Housing Act 2004) when setting the licensing fee. The fee should be transparent, accountable and reflect the actual cost of licensing on a full cost of recovery basis.

- 1.5 In order to comply with these additional requirements that extension of Mandatory Licensing will impose it has been necessary to review the current licence fee to ensure that it reflects the actual cost of licensing and associated up to date/current officer costs.
- 1.6 Following this review it has been determined the additional staffing resource needed to comply with the requirements will be:
 - two additional enforcement officers
 - one additional licensing support officer

2. Recommendations

- 2.1 The Executive Councillor is recommended to:
 - agree the increase to the HMO licence fee as outlined in Appendix A
 - agree to the recruitment of additional staffing resources as detailed, namely
 - Two enforcement Officers
 - one licensing Support Officer

3. Background

- 3.1 The Housing Act 2004 introduced a national licensing scheme which is mandatory for all three or more storey houses in multiple occupation (HMOs) occupied by five or more unrelated persons in two or more separate households. The legislation was enacted on 6th April 2006 and requires landlords to apply for a licence in respect of HMOs that they own and operate.
- 3.2 In December 2017 the government announced that it would proceed with extending mandatory property licensing of HMOs, In February of this year it was laid before Parliament and will come into force on 1st October 2018.
- 3.3 “The Licensing of Houses in Multiple Occupation (Prescribed Description) (England) Order 2018” Statutory instrument 2018 No.221 changes the prescribed description of HMOs that are required to be licensed by Local Housing Authorities in England. This instrument has the effect of extending the scope of mandatory HMO licensing in England It will apply where certain HMOs are

- occupied by five or more persons in two or more separate households, regardless of the number of storeys.
 - It also applies to purpose built flats where there are up to two flats in the block and one or both are occupied as an HMO by five or more persons.
- 3.4 The government initially indicated that there would be a grace period of six months. This is now not the case. All owners of property that falls within the mandatory licensing regime must apply for a license by 1st October 2018. Although licences cannot start before this date.
- 3.5 Across England, it is expected that an extra 160,000 HMOs will need to be licensed. Information held on the Northgate M3 database utilised by Environmental Health indicates that within Cambridge City there will be at least an additional 1080 properties that fall within the extended scope of licensing bringing the overall figure of licensed properties to approximately. 1450.
- 3.6 One of the reasons that the Government have announced their intention regarding extension of mandatory licensing is owing to the fact that they have stated that there is evidence that landlords are choosing to rent out smaller HMO's to avoid the need to licence under limited mandatory licensing criteria as well as avoiding the attention of enforcement authorities.
- 3.7 HMOs often have poorer property/management standards than other privately rented properties and due to how they are occupied may have greater risks in terms of hazards an example of this is fire. The increased demand for HMOs has been exploited by opportunist rogue landlords, who feel the business risks for poorly managing their accommodation are outweighed by the financial rewards.
- 3.8 Although properties do not need to be inspected before the license is issued to ensure standards are being achieved and maintained it is desirable that all properties should be inspected during the license period and this has been factored into the license fee.
- 3.9 A property licence can last between 1 and 5 years, although commonly they will last 5 years. The fee is chargeable regardless of the duration of the license. A short licence is normally only considered if the authority has concerns over management of the property.

- 3.10 With the upcoming changes the Council has reviewed its fees for licensing houses in multiple occupation to ensure it reflects the current cost of processes and enforcement. The hourly rate has not been previously charged to include direct/indirect overhead costs. Under the review this has been updated to include these costs and thus be accountable and reflect the actual cost of licensing on a full cost of recovering basis (Appendix B).
- 3.11 Currently the cost of licensing a new HMO is £580 for up to 9 rooms with a renewal cost of £452 and £640 for over 10 Rooms with a renewal cost of £518. The new proposal is a flat rate of £950 for all new licence applications with a 10% discount upon renewal provided licence arrangements do not lapse and renewal of licence is applied for in a timely fashion. It is envisaged that the additional staffing requirements can be funded through the new fee.
- 3.12 The fee comprises the cost of inspection per 5 year licence to assess compliance with necessary housing standard requirements and licence conditions. Including any written recommendations, annual proactive monitoring, enforcement and the administrative time spent processing the licence application and issuing the licence.

4. Implications

(a) Financial Implications

The revised license fee is aimed at ensuring we have a self- funding scheme, and take into account current up to date charge out costs.

(b) Staffing Implications

The recruitment of two additional enforcement officers and an additional Licensing Support Officer will prevent an increased workload to existing staff.

(c) Equality and Poverty Implications

An EQIA has been completed and accompanies this report.

(d) Environmental Implications

There are no environmental implications linked directly with the increase of the HMO licence fee or the recruitment of additional staffing resources to facilitate this.

(e) Procurement Implications

There are no procurement implications associated with this report.

(f) Community Safety Implications

There are no direct community safety implications associated with the change in the licence fee, however facilitation of extension of mandatory licensing with assistance of the new staffing resource will improve living conditions within Houses of Multiple Occupation throughout the city and this will safeguard the health safety and wellbeing of occupiers.

5. Consultation and communication considerations

No consultation has been carried out as the extension of licensing is a mandatory statutory function, The local authority has discretion to set the licence fee which will be communicated to landlords and agents via the Council website following the committee.

6. Background papers

Background papers used in the preparation of this report:

- The Licensing of Houses in Multiple Occupation (Prescribed Description) (England) Order 2018
<http://www.legislation.gov.uk/uksi/2018/221/made>
- Housing Act 2004
<https://www.legislation.gov.uk/ukpga/2004/34/contents>
- Houses in Multiple Occupation and residential property licensing reforms Government response.
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/670536/HMO_licensing_reforms_response.pdf

7. Appendices

- (a) New Fee table
- (b) Licence fee figures

8. Inspection of papers

To inspect the background papers or if you have a query on the report please contact Claire Adelizzi Residential Team Manager , 01223 457724 ,email: Claire.adelizzi@cambridge.gov.uk