

Setting of the Council Tax 2016/17 Item 10 (a)

Green Party proposed budget amendment for additional licensing of HMOs

It is proposed that the Council amends the 2016/17 Budget so that that £45,000 of the £107,000 increased council tax revenue from increasing the council tax by £5 for 2016/17 (as recommended by the Executive) is earmarked towards the consultation and subsequent running costs (not recovered from the additional licence fee income) of the proposals, with a corresponding reduction in the allocation to the Service Transformation Reserve. Any expenditure would be at the discretion of the Executive, based on future reports from the Head of Housing and Property Services. It is anticipated that use of this funding would be for: a) consultation and development of the business plan; then, b) employment of an additional Private Sector Housing Enforcement Officer. Once established, the licence fees should cover 80% of the officer costs, resulting in a net expenditure of £9,000 per annum, with the remainder of this earmarked funding returned to the Service Transformation Reserve.

Proposed: Ian Davison

Seconded: Judy Falp

Justification

Key Points

Extend licensing of Houses in Multiple Occupation (HMOs) to all HMOs in a designated area to:

- enforce the 10% maximum concentration of HMOs;
- raise properties to 'decent homes' standard;
- reduce problems of noise, rubbish and anti-social behaviour; and
- promote social cohesion.

Once implemented, this licensing income would be used to fund 80% of the salary of an additional WDC Private Sector Housing Enforcement Officer, leaving a net cost of £9,000 per annum.

The problem/ current situation

Where there is a high concentration of privately owned rented property, many are unlicensed HMOs. Although there is much to celebrate in having a diversity of residents living in an area, when there is too high a concentration of transient residents, there are considerable problems regarding

anti-social behaviour, waste issues and general lack of community spirit. Council staff report that education regarding HMOs managing waste has had little impact. It is likely that the same is true regarding anti-social behaviour.

Consequently, the council implemented an Article 4 Direction to limit the number of HMOs in any given area of Leamington to 10%ⁱ. This is working successfully in some cases; but in others, residents believe that HMO applications are being agreed despite there being more than 10% in the vicinity because there are unlicensed HMOs that are not on the council's database: staff do not have the time or powers to make it accurate and so are not prepared to make it publicly accessible.

In addition, local residents report that too many HMOs are in poor condition. Tenants are reluctant to complain as they generally don't understand the rules and fear eviction. This is corroborated by the national finding that 30% of private rented sector homes fail the 'decent homes' standard, including 16% having a 'Category 1 hazard' such as a broken boiler or dangerous wiringⁱⁱ.

The government has recently consulted on extending the scope of mandatory licensing and intends to announce proposals in spring this year.ⁱⁱⁱ

The Budget Proposal

The aim of this budget proposal is to introduce a licensing system for all HMOs within a designated area, where poor management of HMOs is causing problems^{iv}. This area, to be determined by consultation, could be the whole of Warwick District. The annual charge might be £350 per annum for 3-5 tenants, and pro rata higher for more tenants^v. Prior consultation is required, so this proposal is in two phases: first to undertake the consultation and develop a business case; second (subject to Executive approval) to recruit an additional WDC Private Sector Housing Enforcement Officer to implement the scheme. The officer's primary role would be to run the licensing system for these additional HMOs, which means they would:

1. Ensure that the WDC District-wide database of currently unlicensed HMOs is up-to-date and open access.
2. Inspect HMO properties within the designated area to see that they meet 'decent homes' standard, which includes insulation levels and absence of category 1 hazards, obligations to keep noise and litter under control, and publish information in point 3, below^{vi}.

Running an HMO without a licence would be subject to a fine, being added to the 'database of rogue landlords' and potentially subject to a banning order

Additional roles (subject to funding) may include:

3. Setting up a District-wide voluntary code of practice for rented accommodation for all HMOs and non-HMOs alike. This would 'kite mark' the well-run rented properties and letting agencies, for example, in terms of gas and electrical safety, admin fees, deposits, information to tenants about waste & recycling, heating bills. If this voluntary scheme is unsuccessful, undertake a consultation to consider whether to apply for a wider licensing scheme.
4. Implementation of the relevant sections of the Housing and Planning Act (when enacted) such as Banning Orders and a Database of Rogue Landlords and Letting Agents.

Initial plan and budget

The outcome of the government consultation may mean that a larger plan (such as licensing all HMOs in the District) or a smaller plan (e.g. only those HMOs with 5 or more tenants) may be adopted. In addition, Housing & Property Services would need to consult with relevant stakeholders and create a proper business plan. We understand from the Head of Housing & Property Services that this work could be undertaken using existing staff; costs for materials, hire of rooms etc are likely to be modest. Funding for the additional officer would be subject to a report to the Executive, based on the consultation and business plan.

‘Steady state’ Budget

Consultation with the Head of Finance and Housing & Property Services suggests the following ballpark annual figures:

- Expenditure: Private Sector Housing Enforcement Officer = £45,000
- Income: In South Leamington, there are approximately 617 unlicensed HMOs; based on the proposed minimum charge of £350 a licence would generate an income of £215,950 over the 5-year period of the licence. This is around £43,000 per annum; this is a minimum estimate as the charge would be higher for HMOs with more than 5 tenants and there may well be more HMOs than on the Council’s database. If the designated area was larger, then more income could be generated.

Thus, it appears that this scheme could be approximately cost neutral, although this is dependent upon the designated area. As indicated above, there is considerable uncertainty in these figures; also, officer time (and hence money) is required for enforcement. Therefore it is sensible to anticipate an on-going cost (i.e. not recovered from the licensing fees) of 20% of the officer time = £9,000 per annum.

Summary

It is envisaged that once the scheme is fully operational, the licence fees would pay for about 80% of this additional officer; therefore there would only be a modest outlay. For the quality of life of residents, there could be substantial advantages: proper control of the concentration of HMOs; safer, decent homes for tenants; and reduction of fly-tipping and anti-social behaviour. It is expected that these proposals would lead to financial saving, too, although these are very difficult to quantify in terms of waste disposal (reduced fly-tipping and general litter plus increased recycling rates) and a reduction in officer time dealing with anti-social behaviour, particularly noise. These changes will help to level the playing field so that responsible landlords are not at a competitive disadvantage compared with those who do not maintain their properties adequately or cram in more tenants than is legal: the council is currently unable to deal effectively with these issues.

ⁱ See

http://www.warwickdc.gov.uk/info/20376/planning_policy/272/hmo_article_4_direction

and

<https://estates4.warwickdc.gov.uk/cmIS/Document.ashx?czJKcaeAi5tUFL1DTL2UE4zNRBcoShgo=HJkXHFR7CoJ4rAgUPQcXc3HSt9ueLZUxD%2FRxv8x9Fy9BeNLaxb48YQ%3D%3D&rUzwr>

[Pf%2BZ3zd4E7lkn8Lyw%3D%3D=pwRE6AGJFLDNlh225F5QMaQWCtPHwdhUfCZ%2FLUQzgA2uL5jNRG4jdQ%3D%3D&mCTIbCubSFfXsDGW9IXnlg%3D%3D=hFfIUdN3100%3D&kCx1AnS9%2FpWZQ40DXFvdEw%3D%3D=hFfIUdN3100%3D&uJovDxwdjMPoYv%2BAJvYtyA%3D%3D=ctNJff55vVA%3D&FgPIIEJYlotS%2BYGoBi5oIA%3D%3D=NHdURQburHA%3D&d9Qjj0ag1Pd993jsyOJqFvmyB7X0CSQK=ctNJff55vVA%3D&WGewmoAfeNR9xqBux0r1Q8Za60lavYmz=ctNJff55vVA%3D&WGewmoAfeNQ16B2MHuCPMRKZMwaG1PaO=ctNJff55vVA%3D](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/469213/English_Housing_Survey_Headline_Report_2013-14.pdf)

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/469213/English_Housing_Survey_Headline_Report_2013-14.pdf

iii see <http://www.theyworkforyou.com/wrans/?id=2016-02-08.26335.h>

iv To introduce the scheme, “a local council must consider that a significant proportion of HMOs in that area are causing problems for tenants or the neighbourhood due to poor management.”

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/15652/HMO_Lic_landlords_guide.pdf

v Current WDC licensing charge for HMOs with 5 or more people on 3 or more storeys are at http://www.warwickdc.gov.uk/info/20163/private_housing/179/multiple_occupancy_homes. The minimum charge is £544.45 for renewal of a licence for 5 occupants with a multiple property discount.

vi Scotland requires licensing of all HMOs. For example, see in Edinburgh, http://www.edinburgh.gov.uk/directory_record/626085/houses_in_multiple_occupation_hmo_licence; interestingly they specify carpeting to reduce noise for those living below: http://www.edinburgh.gov.uk/info/20058/private_housing/372/houses_in_multiple_occupation_hmo. Liverpool has gone further by licensing all rental properties. We may wish to adopt similar conditions relating to tackling anti-social behaviour, tenant information, and being a fit and proper person <http://liverpool.gov.uk/media/1080396/landlord-licensing-conditions-23-9-2015.pdf>.