

## APPENDIX 9

### 1. Financial and Commercial Implications

1.1 There are financial implications of consulting on and running a Selective Licensing scheme, consisting of the following three elements;

- **Carrying out the statutory consultation.**

These costs are not recoverable and are incurred whether the scheme goes ahead or not. The Cabinet Member approved additional resources to the service to carry out some pro-active work in targeted areas. The consultation costs are therefore funded within this year's budget and are not an additional pressure.

- **Administration of the scheme**

The cost of running the 5 year scheme, including such as staffing, licence administration, enforcement and legal costs may be recovered through the licensing fees. Following consultation should there be a recommendation to designate a scheme all associated costs will be set out in detail.

- **Existing Statutory duties**

The work that Councils have to carry out as part of their existing statutory duties cannot be recovered as part of the licence fee. There are currently two Environmental Health Officers dedicated to the area and this would need to continue over and above the licensing work to ensure regulation of the properties and landlords. This work must be funded through existing budgets.

1.2 Councils can charge a fixed fee for selective license applications. The fees may cover the Councils costs in processing the application, issuing the licence, providing guidance to landlords to ensure properties are free from high risk hazards and enforcing licensing conditions.

1.3 Councils must not make any profit from schemes, all fees must be allocated to the running of the scheme and fees must not be used to fund any other activities.

1.4 We are experienced in the running of licensing schemes, having administered the mandatory licensing of 1,800 Houses in Multiple Occupation (HMOs) since 2006. More recently we have administered a Selective Licensing scheme in Page Hall to the East of the city centre (around 350 properties). This experience has shown us the level of work and numbers of staff required to deliver these types of schemes. We have always been clear that to be effective, a scheme must have robust checks, enforcement and inspections.

1.5 We are also aware of the types of issues that cause the greatest levels of work – such as chasing non-valid applications/documentation. And also the issues that are important to check, such as dates and addresses on Gas certificates, and ownership of properties.

1.6 Our experience in operating licensing schemes shows that documentation is sometimes withheld in applications, or it is out of date or assigned to the wrong property. Some owners and landlords submit names that are different to Council Tax records or Land Registry. When entering properties, we have found different information than that submitted in applications. It is important that we properly resource any future designation to ensure that not only do we have the budget and resources to ensure all properties are inspected but that we ensure we are able to properly administer all applications to enable the team to check these issues as they can be a symptom of bad management or more serious situations such as criminal behaviour or fraud. A license will not be issued until a complete application and full payment has been received by the Council to ensure that costs have been covered.

1.7 Each private rented property within the designated area will need a license, except where exemptions apply, which will run for up to 5 years. Each license application will be subject to a fee as proposed below. We will set the Licence fees by assessing how much the scheme will cost to run over the 5 year licensing period, then dividing it by the assumed number of licences that will be issued. .

1.8 Based on the size of the scheme, and our experience of previous licensing, we forecast that the licence fees charged to landlords will be around £1,000 for the 5 year period. This is an approximate cost based on the information included in the table below. This may change once the consultation is completed as we will be seeking views on this. Also we expect to gain a better understanding of the proposed designated area, which may affect our calculations for the fee structure.

	Cost £	Expected No of applications. (500)	Total £
Valid applications received by the start date	750	125	<b>93,750</b>
Valid applications received after the start date (Standard fee)	1000	200	<b>200,000</b>
All non-valid applications (this would apply in forms incorrectly completed or where relevant supporting information is not submitted)	1250	100	<b>120,000</b>
Applications received after chase up/enforcement action	1,500	75	<b>112,500</b>

New applications through life of scheme (standard fee)	1,000	50	<b>50,000</b>
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1.9 The fee structure represents the differing amount of time the Council will spend processing the applications.

1.10 We believe it is fair to set higher fees for landlords who fail to apply on time, who do not supply the correct information or refuse to comply with the scheme – with reduced fees for landlords that are fully compliant and apply to be licensed on time.

1.11 Following consultation, should there be a recommendation to designate a scheme, there will be detailed financial proposals in the Cabinet report in respect of the fee structure, including the costs of running the scheme and the various licence fee charges.

1.12 If the selective licensing scheme is designated the Council will undertake an annual review of the operation of the selective licensing scheme which will include a review of the license fees.