

# **Driving Up Standards for the Private Rented Sector**

## **Statement of Fees, Charges and Discounts for Licensing – Final Proposal**

**Appendix 7**

**19 October 2021**

### How the Licence Fees were set

1. Article 13(2) of the EU Services Directive (2006/123/EC) requires that the licence fee paid by the applicant must be reasonable and proportionate to the cost of the authorisation (licensing) procedure and shall not exceed the cost of the authorisation (licensing) procedure. This means that the costs of the proposed licensing schemes must be cost neutral whereby the total licensing fee income does not exceed the expenditure over the five-year duration of the scheme.
2. The licence fees for licence applications were set taking into account all of the Council's costs in administering and carrying out its licensing functions and carrying out its functions under Chapter 1 of Part 4 Housing Act 2004 (where steps are necessary to make Interim and Final Management Orders) so far as they are not recoverable under or by virtue of any provision of Chapter 1 of Part 4. We have not included costs we can recover directly from landlords when undertaking those functions.
3. The proposed fees are underpinned by assumptions about the level of income the fees will generate, based upon the number of properties that we expect to be licensed during the life of the schemes. For example, we have assumed that % of licence applications will be received in the first year, and that % of IT costs will be attributable to the receipt and processing of licence applications (Part A of the fees). A significant proportion of the licence fee income (%) is met from the staffing costs needed to deliver the licensing schemes. Staffing and the other resources necessary to administer, run and enforce the scheme have been split between the two licence types to calculate the proposed fees.

### Split fee

4. The fee is levied in two parts. Part A of the fee is for the application for a licence and covers the costs of processing, administration and validation of the application. Part B of the fee comprises the running costs of the scheme and exercising our other licensing functions, such as the inspections and enforcement.
5. Payment of Part A of the fee must be received when the application is made to the Council and, if the licence application is granted, Part B of the fee must be received and cleared before a licence is issued. In the event that we decide to refuse a licence application, only the Part B fee will have been paid.
6. The fees will be reviewed throughout the scheme and the Council may adjust the fees to reflect changes in costs

### Proposed Licence Fees

7. The licence fees are set out in the table below.

Type of Licence	Part A- Processing and determining the application	Part B administration, management and enforcement of the licensing schemes	TOTAL
Mandatory Licence	<b>£1050 (+ £70 per bedroom above 5)</b>	<b>£450 (+ £30 per bedroom above 5)</b>	<b>£1500 (+ £100 per bedroom above 5)</b>
Additional Licence up to 4 bedrooms	<b>£923</b>	<b>£377</b>	<b>£1300</b>
Selective Licensing Designations 1 & 2	<b>£630</b>	<b>£270</b>	<b>£900</b>

### Discounts on licensing fees

8. A 30% early bird discount will be applied to the proposed selective and additional schemes, which will operate for a period of 3 months from the point a scheme starts. The early bird discount does not include applications made for mandatory licences.
9. A discount of 50% will be offered on the second part of the fee (enforcement element) for all licensing schemes where the landlord and/or managing agent has signed up to the Council's Gold Standard Charter (see appendix 9 for details on the Charter).
  - a. A requirement of the Gold Standard Charter is that a landlord must be accredited. The discount for being an accredited landlord under the existing scheme has therefore been removed under the proposals for the new schemes.
  - b. The Gold Standard Charter discount can be applied for a managing agent of a licensable property however, if the Licence Holder and/or landlord has not signed up to the Gold Standard Charter, landlords who change their managing agents during the period of the licence must ensure that any new agent is also signed up to the Gold Standard Charter or repay the discount, pro-rata, for the period of time the property is being managed by an agent not signed up to the Gold Standard Charter.
  - c. Discounts will not apply to properties where the council has found it necessary to issue a warning letter requiring the landlord/agent to apply for a licence. This applies to previously unlicensed properties or properties where a previous licence has expired more than 3 months before the renewal application has been received.
  - d. A Gold Standard Charter landlord/agent who has not applied for a licence on a licensable property without a warning letter from the council can have their Gold Charter status removed.
  - e. If a licensing application is not successful the fee for enforcement will not be charged. Any subsequent applications made for the same property will be

charged the application fee (discount will apply where appropriate) and the further fee for enforcement if a licence is to be issued.

10. A further discount of 50% on the second part (Part B) of the fee (enforcement element) for all licensing schemes, is available where the landlord and/or managing agent, as well as being signed up to the Council’s Gold Standard Charter has also signed up to the Council’s Finder’s Fee scheme (or subsequent iterations). This means that when combined with the Gold Standard Charter Discount the second part (Part B) of the fee (enforcement element) will be free of charge.

Table of discounts showing their effect on fees for each scheme

				Mandatory Licence Part A £1050 (+ £70 per bedroom above 5) Part B £450 (+£30 per bedroom above 5)  Total fee - £1500 (+ £100 per bedroom above 5)		Selective Licence Part A £630 Part B £270  Total fee - £900		Additional HMO licence Part A £923 Part B £377  Total fee - £1,300	
Discount type	Discount %	Total Discount	Total Licence fee after discount	Discount	Total Licence fee after discount	Discount	Total Licence fee after discount	Discount	Total Licence fee after discount
Early bird (first 3 months)	30%	n/a	n/a	£270	£630	£390	£910		
Gold charter members	50% of Part B	£225 (+£15 per bedroom above 5)	£1275 (+£85 per bedroom above 5)	£135	£765	£190	£1,110		
Early Bird & Gold Charter	30% + 50% of Part B	n/a	n/a	£405	£495	£580	£720		
Gold Charter members who have signed up to the	100% of Part B	£450 (+£30 per bedroom above 5)	£1050 (+ £70 per bedroom above 5)	£270	£630	£377	£923		

<b>Finder's fee</b>							
<b>Early Bird, Gold Standard &amp; Finder's fee</b>	30% + 100% of Part B	n/a	n/a	£459	£441	£654	£646

### Other Fees and Charges:

11. These fees are applicable as appropriate in relation to licensing applications, or where properties are already licensed.

### Licensed Premises - Proposed Licence Variation Fees

<b>Variation of licence</b>	<b>Fee</b>
1 year licence and renewal: Landlords with previous management contraventions or who are of concern with regards to the 'Fit and Proper' test (eg: a person who has or is being investigated for fraud relating to tenancies or is subject to enforcement action or prosecution relating to contraventions under the Housing Acts and associated regulations) will be charged the full fee for a 1 year licence or renewal.	New Licence Application Fee
Change of mortgagor, owner, freeholder, and leaseholder (unless they are also the licence holder or manager)	No fee
Reduction in the number of maximum occupiers and/or households for licensing purposes	No fee
Variation of licence instigated by the council	No fee
Change of licence holder	New Licence Application Fee
Change of manager (unless they are also the licence holder)	No fee
Increase in the number of maximum occupiers and/or households for licensing purposes, through increasing the	No fee

number of habitable rooms, change in room sizes, and/or amenity provision	
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Other charges	Fee
Revocation of licence	No Fee, no refund
Application to licence following revocation of a licence	New Licence Application Fee
Application refused by the council	Part 1 Licence Application fee not refunded
Application withdrawn by the applicant	Part 1 Licence Application fee not refunded
Application made in error and not granted (e.g. duplicate or exempt)	Full refund
Properties that cease to be licensable during the licensing process	No refund of Licence Application Fee
Temporary Exemption Notice (TEN)	No Fee
Printing of lost licence	£5

### Income and Expenditure

- Some assumptions have been made in estimating the income. For example, on application/inspection for additional HMOs it is likely that some properties will actually be found to be either mandatory HMOs or selective licensable properties and so will fall into those regimes, which reduces the total estimated number of additional HMOs. Also, it is assumed in estimating the income that a small number

of licensable properties might not be found, or be exempt tenancies/properties (i.e. temporary accommodation operated by other Councils in Southwark), or bad debt.

13. The forecast costs and income over the five year period are as follows:

Description	5 year Income and Expenditure Analysis			Annual Average
	Mandatory + Additional HMO Licensing	Selective Licensing Designations 1 & 2	Total HMOs & Selective Licensing	
	£'000	£'000	£'000	£'000
Staffing Costs	2,770	2,360	5,130	1,026
Other running costs	2,396	1,989	4,385	877
Total costs	5,166	4,349	9,515	1,903
Estimated Income	(5,160)	(4,344)	(9,505)	(1,901)
Net Expenditure	6	5	10	2