

**Financial appraisal for a proposed HMO Additional Licensing scheme, including proposed fees and PCC resources to operate it**

Anticipated number of licences in each year of the scheme and proposed timescales

The council is unable to ascertain the total number of HMOs which may require an additional licence, should a designation be made. Currently there is no legal requirement for landlords of HMOs to make their properties known to the local authority, other than those which require a mandatory HMO licence. From 2011 any change in use from a single person or a family dwelling (C3 planning designation) to a HMO (C4 planning designation) requires planning permission.

There are currently 3,042 non-licensable HMOs known to the council's planning department. A database of known HMOs can be found on the council's website via: [Houses in Multiple Occupation \(HMO\) database - Portsmouth City Council](#)

Data available to the council from the Building Research Establishment (BRE) estimates a total of 4,748 non-licensable HMOs are currently operating in Portsmouth. The total estimated number of HMOs, licensed and non-licensed, in Portsmouth is thought to be 5,974.

The information below is based on an estimated 4,748 non-licensed HMOs in Portsmouth and shows planned timescales per licence under an Additional Licensing scheme.

Action	Resource	Estimated time scale
Licensing letter exercise to all suspected HMOs affected by designation	Housing Regulation Liaison Officer	Months 1 - 3 prior to scheme starting
Process applications	Housing Regulation Liaison Officer	Months 1 - 12 of scheme
Verification checks (suitability), Fit and Proper checks and issue draft licences	Housing Regulation Officer	Months 1 - 12 of scheme
Full Licences Issued	Housing Regulation Officer & Housing Regulation Liaison Officer	Months 1 - 12 of scheme
Complete HHSRS inspections and any	Housing Regulation Officer	Months 12 - 60 of scheme

required follow ups inspections		
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It is likely that some landlords, especially if a city wide designation of Additional Licensing is made, will not comply with the scheme. This may also impact on the above prediction that all applications will be processed within the first 12 months of the scheme, where some applications may be received late or following officer investigations into unlicensed HMOs.

Total resources involved in providing an Additional Licencing scheme

Portsmouth City Council currently operates its mandatory licensing scheme through its Private Sector Housing team. This scheme oversees approximately 1200 licensed properties, all of which will have five or more occupants.

To deliver this scheme the council employs Housing Regulation Officers, Senior Housing Regulation Officers and a Housing Regulation Liaison Officer. Other additional members of staff contribute towards the management of this scheme, such as a Landlord and Tenant Support Officer, and Administration Support Officer.

Any designation of an Additional Licensing scheme in Portsmouth will require more staff to deliver the scheme. Any designation will need to allow a period of time in which to employ and train these staff so that the scheme can be delivered effectively.

The below information is based on the estimated maximum number of applicable licences in Portsmouth. It also assumes that licences will be given on a five yearly term. However, where the suitability of the property, or its management, are brought into question licences may be given on a one-year term.

Initial demand will be administrative, where properties affected by the scheme will be required to apply for a licence. The council estimates that this could apply to 4,748 properties if a city-wide designation were to be made. Typically, Private Sector Housing currently administer 250 licences per year (a combination of renewal and new licences) with existing resources. This yearly figure can vary greatly due to the nature of when licence applications are made to the council, with a significant increase in applications made in 2018 and 2019 following changes in legislation. These are typically administered within three months.

An upfront demand of 4,748 licence applications will require significant amount more resource to administer, which will take longer to administer compare with current mandatory licences due to the high volume of applications anticipated within a short period of time. Any licensable HMO will be able to continue to operate as a HMO providing an application has been submitted to the council. The below information gives an initial period of 52 weeks to process and verify any additional licensed properties under the scheme.

The below model demonstrates the volume of staff required should a designation of Additional Licensing be made. For the purposes of illustrating resources required the model assumes the maximum number of suspected HMOs in Portsmouth will require a licence. Should a smaller designation be made volume of staff will be apportioned accordingly, as shown in the model below.

Some variation can be seen in the below resource planner from year 1 of the scheme, compared with years 2 - 5. This is due to a change in task to deliver the scheme after the initial 12 months. Officers administering the scheme will initially be tasked with processing a significant volume of HMO applications, with an anticipated two-thirds of properties expected to be verified to ensure they are suitable to operate as an HMO as per The Management of Houses in Multiple Occupation (England) Regulations 2006.

<b>Staffing structure</b>						
	Based on estimated licence numbers					
Licence numbers	4,750	4,000	3,500	3,000	2,500	2,000

<b>Housing Regulation Liaison Officer year 1</b>						
Action - licence application time taken	2.44	2.44	2.44	2.44	2.44	2.44
Time required	11,574	9,747	8,528	7,310	6,092	4,873
Average worked hours per year	1,554	1,554	1,554	1,554	1,554	1,554
Number FTE required	7.4	6.3	5.5	4.7	3.9	3.1

<b>Housing Regulation Liaison Officer years 2-5</b>						
Action - licence application time taken	3.48	3.48	3.48	3.48	3.48	3.48
Time required	16,546	13,933	12,192	10,450	8,708	6,967
Average worked hours per year	1,554	1,554	1,554	1,554	1,554	1,554
Number FTE required	2.7	2.2	2.0	1.7	1.4	1.1

<b>Housing Regulation Officer year 1</b>						
Action - Licence application time taken	2.59	2.59	2.59	2.59	2.59	2.59

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Time required	12,303	10,360	9,065	7,770	6,475	5,180
Average worked hours per year	1,554	1,554	1,554	1,554	1,554	1,554
Number FTE required	7.9	6.7	5.8	5.0	4.2	3.3

<b>Housing Regulation Officer years 2-5</b>						
Action - licence application time taken	1.56	1.56	1.56	1.56	1.56	1.56
Time required	7,402	6,233	5,454	4,675	3,896	3,117
Average worked hours per year	1,554	1,554	1,554	1,554	1,554	1,554
Number required	4.8	4.0	3.5	3.0	2.5	2.0

<b>Senior Housing Regulation Officer years 1-5</b>						
Licence numbers	4,750	4,000	3,500	3,000	2,500	2,000
Number of officers required	3.2	2.7	2.3	2.0	1.7	1.3

<b>Landlord &amp; Tenant Support Officer years 1-5</b>						
Licence numbers	4,750	4,000	3,500	3,000	2,500	2,000
Number of officers required	2.0	2.0	2.0	1.0	1.0	1.0

<b>Staffing structure - year 1</b>	<b>Based on estimated licence numbers</b>					
	4,750	4,000	3,500	3,000	2,500	2,000
Manager	0.25	0.25	0.25	0.25	0.25	0.25
Senior Housing Regulations Officer	3.20	2.70	2.30	2.00	1.70	1.30
Housing Regulation Liaison Officer	7.40	6.30	5.50	4.70	3.90	3.10
Housing Regulation Officer	7.90	6.70	5.80	5.00	4.20	3.30
Landlord & Tenant Support Officer	2.00	2.00	2.00	1.00	1.00	1.00
Admin Officer	0.00	0.00	0.00	0.00	0.00	0.00

Staffing structure - years 2-5	Based on estimated licence numbers					
	4,750	4,000	3,500	3,000	2,500	2,000
Manager	0.25	0.25	0.25	0.25	0.25	0.25
Senior Housing Regulations Officer	3.20	2.70	2.30	2.00	1.70	1.30
Housing Regulation Liaison Officer	2.70	2.20	2.00	1.70	1.40	1.10
Housing Regulation Officer	4.80	4.00	3.50	3.00	2.50	2.00
Landlord & Tenant Support Officer	2.00	2.00	2.00	1.00	1.00	1.00
Admin Officer	0.00	0.00	0.00	0.00	0.00	0.00

Once these applications are processed, the level of resources required is expected to reduce to reflect a reduction in demand. Some key tasks following year 1 of the scheme will include: Undertaking HHSRS inspections, investigating suspected unlicensed HMOs, providing ongoing support to landlords and tenants and processing applications where properties are bought and sold during the term of the scheme.

The council will make reasonable decisions regarding resourcing based on recruitment and realistic staffing levels. For example, it may not be possible to recruit 7.4 Housing Liaison Officers in year 1, and instead the council may decide to recruit 7 officers only. These decisions will be made prior to a scheme commencing and all fees would be adjusted accordingly.

Where it is not possible to define individual work flows, and provide accurate timing for these, assumptions will be made based on what the council knows is required to deliver its current scheme. For example, the Senior Housing Regulation Officer, acting in a manager capacity, will be required to provide ongoing support, guidance and coaching for officers in the team. This will include staff management duties which cannot be easily measured regarding time spent.

The above table indicates that Housing Regulations Officers will be required to support with the processing of HMO licence application. This is based on an estimated 63% of applications requiring a verification visit, indicated through 2017 data which suggests 37% of licence holders still held licences in 2021 under the mandatory licensing scheme.

This data is limited in that the council has no way of knowing how many HMO properties from Additional Licensing in 2017 have been bought and sold since the scheme ended in 2018. The previous scheme was contained to the PO1, PO4 and PO5 postcode areas and does not reflect a city-wide designation although did focus on the areas of highest HMO density. Landlords or managers known to be suitable,

because they already operate a licensed HMO elsewhere in Portsmouth, will likely not require a verification on the property or a fit and proper person check.

This information is only an estimate based on previous information known to the council under its Additional Licensing scheme which ended in 2018. The council has no way of knowing how many properties have undergone a change in management since 2018 and may learn that fewer or indeed more HMO applications will require verification, as per The Management of Houses in Multiple Occupation (England) Regulations 2006.

Cost per licence, showing that licence costs will rise with inflation over the 5-year period

The council is able to charge a fee for HMO licences, in order to recover its costs for delivering the scheme. Section 63 of Part 2 of the Housing Act 2004 grants local housing authorities the legal mechanism to do this. The fee will take into account all costs incurred by the authority in carrying out their functions and any costs incurred in carrying out a management order under chapter 1 of part 4 of the act.

Additional licensing schemes are expected to last 5 years, although can be revoked sooner than this. The below model shows how the council expects to charge for an additional licensing scheme:

<b>HMO Licences Cost of 5-year licence (example of cumulative inflation applied) Rounded to nearest £5</b>	<b>Example of CPI (+1%) increase</b>	<b>5-year projection based on licence numbers</b>					
Number of licence applications		4,750	4,000	3,500	3,000	2,500	2,000
Year 1 fee (for 5-year licence)	0%	855	875	885	830	855	870
Year 2 fee (for 5-year licence)	3%	880	900	910	855	880	895
Year 3 fee (for 5-year licence)	3%	905	925	935	880	905	920
Year 4 fee (for 5-year licence)	3%	930	955	965	905	930	950
Year 5 fee (for 5-year licence)	3%	960	985	995	930	960	980

The above model is based on expected expenditure for delivering the scheme, such as staff salaries, expenses and equipment costs. The proposed fees have been set at a level to recover the full costs of the scheme. To ensure that fees and charges remain current, annual changes to fees will be determined by the Director of Housing, Neighbourhood and Building Services and S151 officer and anticipated to be up to, but no more than, CPI+1%

A stepped increase can be observed in the above pricing, this is due to an increase in fixed staff from 3,000 licences to 3,500 licences. After the stepped cost, a

decrease in cost can be seen as the number of licences increases, this is due to economy of scale applied against fixed costs.

It is expected that the vast majority of licence applications will be made in year 1 of the scheme, however as licence fees are not transferable when a property is sold and purchased a new licence will need to be applied for.

Fee Split - initial payment (draft licence) and final payment (full licence)

Payment of HMO licence fees is required to be split into two payments, an initial payment on application and a final payment is issue of full licence. The below table shows how these fees will be split and what fees apply.

HMO Licences Year 1 Fee (Example) 1 <sup>st</sup> payment Rounded to nearest £5	%age payable	5-year projection based on licence numbers					
Number of licence applications		4,750	4,000	3,500	3,000	2,500	2,000
Initial payment on application	15%	130	130	135	125	130	130
Final payment on issue of licence	85%	725	745	750	705	725	740
Total licence fee due		855	875	885	830	855	870

15% is typically the cost of set up administration from receipt of application, based on time spent.

Summary:

The information presented in this document gives an indication of staffing resources required to deliver an Additional Licensing scheme, scaled from a city-wide designation down to smaller designations and is based on data available to the council on the expected number of HMOs in Portsmouth. The licence fee costs shown in this document are based on these resources, as well as additional costs incurred by the council in running a licensing scheme, such as equipment and training.

Due to the likely high volume of HMO applications within a short period of time, it is estimated the first 12 months of the scheme will be committed towards processing applications received, along with an anticipated two-thirds of applications requiring verification visits and/or fit and proper checks. Typical tasks in the remaining four years of the scheme will include: Officers completing HHSRS inspections, including liaising with tenants, landlords or managers on improvement works, any associated enforcement action where necessary and conducting investigations on suspected unlicensed HMOs.

The council has made the projections within this report based on data available on the number of small HMOs in Portsmouth. A financial risk may be identified where the council does not recoup its spend on the licensing scheme, should more properties require a licence which were not highlighted in the data sources available to the council. This risk is mitigated, as much as possible, by implementing an exercise to learn how many of the suspected HMOs exist within the designation area prior to the beginning of any scheme. In addition to this, projections have been made based on the maximum anticipated number of HMOs in Portsmouth with resources and costs scaled accordingly to this. The council cannot guarantee all HMO landlords will fully comply with any additional licensing scheme, investigations into suspected unlicensed HMOs will form part of officers' work and financial penalties can be used in cases of unlicensed HMOs. Fixed costs included within the above report include: premises, start-up costs, marketing and communications.

The above calculations are based on data and financial modelling available to the council, with knowledge taken from how it administers its current licensing scheme.