

## **REMOVAL OF £50 DISCOUNTED FEE FROM THE CURRENT SELECTIVE LICENSING SCHEME**

**Councillor Walsh, Cabinet Member for Communities**

**November 2017**

**Deadline date: N/A**

Cabinet portfolio holder:	Councillor Irene Walsh – Cabinet Member for Communities
Responsible Director:	Wendi Ogle-Welbourn – Director People and Communities
Is this a Key Decision?	NO
Is this decision eligible for call-in?	NO
Does this Public report have any annex that contains exempt information?	NO
Is this a project and if so has it been registered on Verto?	NO

### **R E C O M M E N D A T I O N S**

The Cabinet Member is recommended to authorise the removal of a £50 discounted fee from the current Selective Licensing Scheme.

#### **1. SUMMARY OF MAIN ISSUES**

- 1.1. That the Member agrees to the removal of the £50 discounted fee for all applications under the current selective licensing scheme

#### **2. PURPOSE OF THIS REPORT**

- 2.1 This report is for the Cabinet Member for Communities to authorise the removal of the £50 discounted fee from the selective licensing scheme. This would leave the standard fee of £600 and the late fee of £900 being payable by all future applicants.
- 2.2 This decision is proposed in accordance with the delegations for Councillor Walsh, Cabinet Member for Communities in exercising delegated authority under paragraph 3.4.3 of Part 3 of the constitution in accordance with the terms of her portfolio at paragraph (b).
- 2.3 The removal of the discounted fee would create a level playing field for all landlords and agents required to licence properties within the scheme. Currently the established landlords and agents are able to attract more business as they are able to offer a potential landlord the option of paying £50, whereas new landlords and agents have to pay £600 for their

licences. Following the introduction of the Selective Licensing scheme a number of agents have ceased trading and not removing the discount could prevent new letting agents from setting up viable businesses within the city ie when the private rental market is booming and providing much needed housing supply within the city.

- 2.4 The removal of the discount after a notice period of 2 months would allow any landlords purchasing new rental properties within the selective licensing areas time to build the cost of the licence into their business model. As the fee is tax deductible, there should be very little impact on the cost of rental incomes. The team has not observed that landlords who have paid a £50 fee are charging lower rents than those who paid £600 or £900 so the impact on rents is likely to be minimal.
- 2.5 Legal advice confirms that there is no legal requirement for the Council to offer any discount on licensing fees and no legal reason why those fees cannot be reviewed during the term of the scheme.

### 3. **TIMESCALE**

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>	If Yes, date for relevant Cabinet Meeting	<b>N/A</b>
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### 4. **DETAILS OF DECISION REQUIRED**

- 4.1 The Selective Licensing Scheme for Peterborough came into force on 1 December 2016. During the introductory period, which ran from 1 September 2016 and 30 November 2016 all landlords who rented out their properties within the private sector were required to apply for a licence and will have to comply with a set of conditions relating to their housing standards and management of their properties.
- 4.2 The Government required the authority to set the licence fees by way of a standard formula as the Council can only charge for certain actions connected with the processing and issuing of a licence. The standard fee for a licence was £600, with any landlords who missed the 1 December 2016 deadline (without valid reason) had to pay a late fee of £900. It is a Government requirement that the scheme must not make a profit for the Council - the aim being that it is self-financing.
- 4.3 During the three months prior to the start of the scheme (between 1 September 2016 and 30 November 2016) landlords who were members of an approved landlords scheme and who had achieved accreditation of that scheme could pay a heavily reduced fee of £50 per property. This also applied to those landlords who employed the services of a managing agent who was also an accredited member of an approved national body.
- 4.4 During the consultation undertaken prior to the introduction of the scheme extensive negotiations took place with the National Landlords Association (NLA). The NLA argued that their members should receive a discount on the standard licence fee, as they were all managing their properties in a professional manner and were all 'doing the right thing'. The NLA suggested that it was therefore unfair that their members would pay the same fee as a landlord who was not affiliated to a professional association or had not achieved qualifications and committed to continued professional development. It was agreed that, in those circumstances, the Council would offer a fee of £50 for the introductory period between 1 September 2016 and 30 November 2016.
- 4.5 The NLA also asked that their members be allowed to continue to benefit from the £50 fee for any new properties that they brought to the rental market during the whole of the 5 year

term of the scheme, so as not to stifle the growth of the rental market within the selective licensing areas. This was agreed under strict conditions that it would apply only to those landlords/agents who already held accreditation status prior to 1 December 2016, that the property must be brand new to the rental market, and that they licensed it within one month of it being rented.

- 4.6 During the introductory period the Council received far more applications eligible for the £50 fee than expected. In total 5,789 of the applications that were received prior to 1 December 2016 paid the accredited fee. Some did not meet the criteria to qualify for the discount and were (and continue to be) rejected. To date 608 applications have been rejected, mainly due to the incorrect fee being paid.
- 4.7 Since 1 December 2016 the department has continued to receive, per month, approx. 35 applications claiming to be eligible for the £50 fee. At least 50% of these applications are rejected as they do not qualify for the discount. This in turn leads to the customer undertaking an often prolonged exchange with officers and manager as they do not wish to pay the correct fee and they feel it is unfair that they cannot pay £50.
- 4.8 The continuation of the discounted fee has also lead to complaints from landlords and letting agents who are new to the business since December 2016, and who also want to pay the £50 fee for their applications. They argue that it is not fair that they cannot benefit from the discount simply because they have come into business since the introduction of the scheme.
- 4.9 On average 50 new applications are received each month: this clearly demonstrates that the buy to rent market in Peterborough is continuing to grow within the licensing area.. These are new rental properties and late applications.
- 4.10 The cost of processing and issuing a licence is £600 per licence as calculated with the Government's cost calculator and as set out in the scheme submission documents approved by the Secretary of State.
- 4.11 The continuation of the discounted fee of £50 risks the scheme being financially unviable due to the number of applications that continue to be received and having to be processed. This represents an effective loss of £550 per application. There is also an excessive amount of officer time that is taken up dealing with the ongoing complaints from landlords and agent who feel aggrieved when their applications are refused and they are asked to pay the basic fee of £600 for their application. This is currently equivalent to one officer working full time on these cases.

## **6. ANTICIPATED OUTCOMES**

- 6.1 If the discount were removed, and the current level of monthly applications were maintained, then the increased revenue from applications would be on average £19,250 per month. This equates to £231,000 per annum which would go some way to enabling the scheme to be self-funding as was originally intended.
- 6.2 If the discount were removed this would create extra capacity within the team (equivalent to one FTE housing officer) who would be able to focus on the core objective of inspecting properties within the private rented sector to ensure they are well managed, safe, and of good quality for the occupants.

## **7. REASONS FOR RECOMMENDATIONS & ANY RELEVANT BACKGROUND INFORMATION**

- 7.1 To create a fair and level playing field for all landlords and letting agents whether they have been established in the City for many years or are adding to the much-needed accommodation within the private rented sector.

## **8. ALTERNATIVE OPTIONS CONSIDERED**

- 8.1 To do nothing would place additional financial pressure on the scheme and would make it impossible for the scheme to be self-funding. It would also result in wasted officer time dealing with false applications which could affect the ability of the team to fulfil its inspecting obligations within the 5 year term of the scheme, which in turn could lead to tenants living in poor and substandard housing conditions.

## **9. IMPLICATIONS**

- 9.1 All landlords would have to pay a basic fee of £600 for their licence
- 9.2. All legal and financial implications are contained within the body of the report.

## **10. DECLARATIONS / CONFLICTS OF INTEREST & DISPENSATIONS GRANTED**

- 10.1 None.

## **11. BACKGROUND DOCUMENTS**

- 11.1 None.