

SUBJECT:	EXTENSION OF HOUSES IN MULTIPLE OCCUPATION LICENCING
DIRECTORATE:	COMMUNITIES AND ENVIRONMENT
REPORT AUTHOR:	HANNAH CANN – PRIVATE HOUSING TEAM LEADER

1. Purpose of Report

- 1.1 To outline the increase in workload caused by statutory legislative change extending the mandatory licensing of Houses in Multiple Occupation (HMO's) from 1 October 2018, and to appraise the options for resourcing this additional work demand.

2. Executive Summary

- 2.1 The council has a mandatory duty to identify and license larger HMOs. The Licensing of Houses in Multiple Occupation (Prescribed Description) (England) Order 2018 extends this duty to one and two storey HMOs from 1 October 2018. Combining intelligence of the existing licensable HMO's and the stock modelling from the British Research Establishment (BRE) it has been estimated that the total licensable HMO's will rise from 318 to over 900. This increase in work demands cannot be accommodated within the existing private housing team establishment structure.
- 2.2 It is recommended to manage the increase in the inspection and formal enforcement of the additional 600 HMO's that a FTE Housing Standards & Enforcement Officer is added to the establishment the cost of which would be fully paid for by the additional licencing income. This resource is required regardless of which of the two options outlined below is chosen to deal with the administration process.
- 2.3 In addition, at present the current administrative HMO licensing process is time consuming and vulnerable to human error. There are two options to manage the increase in the administration of HMO licence applications. The preferred option is by approving an invest to save proposal to purchase a bespoke IT software. The software offers an online portal for landlords to manage their HMO licensing applications. It will automate administrative processes and streamline the workload for the council's officers, assisting with the identification of higher risk and unlicensed premises, and maximising income. The second option would be to increase the establishment by adding a Technical Assistant (Scale 3). The latter option is more expensive but still affordable.
- 2.4 The cost of the software over five years is £69,000 and the cost of an additional scale 3 Technical assistant post over 5 years is in excess of £123,000, on this basis the purchase of the software offers a more cost effective solution.
- 2.5 With the extension of mandatory licensing, the income from HMO fees will cover the full costs of the software and additional HSEO post, generating a surplus over five years of at least £54,870.

3. Background

- 3.1 Part 2 of the Housing Act 2004 places a mandatory duty on the Local Housing Authority to identify and license certain Houses in Multiple Occupation (HMOs), typically student shared houses and bedsit accommodation. The council is able to charge a fee for each HMO Licence granted to cover the costs of running the service, including staff and IT requirements.
- 3.2 There is currently a requirement to license those HMOs that are occupied by 5 or more people, over three or more storeys, who share a kitchen, bathroom, or WC. As of 17 May 2018, 318 HMOs are currently licensed, and a licence typically lasts for five years. The Licensing of Houses in Multiple Occupation (Prescribed Description) (England) Order 2018 comes into force on 1 October 2018, extending the criteria for mandatory licensing of HMOs to those with 5 or more residents regardless of the number of storeys. Purpose built flats in blocks of three or more flats are excluded from licensing.
- 3.3 The BRE were commissioned in May 2018 to provide stock modelling data on the number of HMOs in Lincoln that meet the current and new criteria for HMO licensing. As there is no data set available for number of occupiers, the report gives properties with four or more bedrooms, with an assumption that one ground floor room will be occupied as a fifth bedroom. The BRE stock modelling system identified 821 HMOs that will be licensable under the new criteria, but this excludes 80 licenced HMOs that could not be address matched giving a final figure of 901 HMOs subject to licensing from 1 October 2018. Due to the difficulty in identifying HMOs this is expected to be a conservative estimate, or minimum.
- 3.4 The HMO licence fee on the council's current fees and charges tariff is £590 for a five bedroom HMO, increasing by 10% for each five bedrooms thereafter, and with a 10% discount for Trusted Landlord. A benchmark exercise of other local authorities in November 2017 found that City of Lincoln has one of the lowest licence fees so there is the potential to review the HMO licence fee with a view to an increase at a future date.

4. Main Body of Report

4.1 Current Process

Currently, a landlord or managing agent, operating a licensable HMO, contacts the private housing team stating that a licence is needed. A paper HMO licence application pack, comprising a 24-page application form and accompanying guidance notes, is sent by post. The applicant is required to send back the completed form together with supporting documents and floor plans.

- 4.2 The application form is cumbersome for landlords to complete and many return incomplete applications, leading to delays in licensing high risk premises, and an impact on staff resources returning invalid applications and chasing up the missing information or documents. It is difficult to keep track of the status of incomplete applications, which impedes enforcement action on unlicensed HMOs. As a result, landlords are able to delay the date when they need to comply with the legislation and pay the licence fee.

- 4.3 Civica APP, the case management software, has been extensively configured for HMO licensing but there are limitations in the system's capabilities particularly in relation to electronic communications and automation of tasks. When a complete application is received, the Technical Assistant re-keys the information from the form into Civica APP. The action diary is used to prompt subsequent actions for the relevant officer. A Housing Standards and Enforcement Officer inspects every HMO to check that amenity and management standards are met. The Licence and other documents are produced in Civica APP, printed and posted. Although APP meets the team's needs from a case management and workflow point of view, the administrative process is time consuming and staff resource intensive. Civica APP is being discontinued by the supplier over the next two to five years and it is not yet known what the replacement system will be. A project looking for potential options for replacement is in early stages. However, likely replacements do not have the required functionality for all aspects of the HMO process currently.
- 4.4 The current system requires manual validation of licence applications and manual compliance checking of licence conditions, which is a lengthy and subjective process and costly in staff resource sending letters to chase missing documents. An internal audit of HMO licensing recommends that automation of licence condition monitoring and renewals would improve the system and reduce risks associated with human error.
- 4.5 **Staffing**
- Two Housing Standards and Enforcement Officers have previously licensed 300 HMOs in five years while carrying out wider housing enforcement duties prioritised according to risk. A Technical Assistant carries out fit and proper person checks and helps with the administrative tasks relating to HMO licensing in addition to other duties. Licence renewals, which are expected to be less complex and to involve compliant landlords, are dealt with by Technical Officers. This means that two HSEOs were processing the equivalent of 30 licence applications each per year.
- 4.6 If the current system is retained without further IT investment, a further Technical Assistant would be needed to process applications when HMO Licensing is extended (further explored in option 2 below). Even with one additional HSEO, at peak times there would be severe pressures on the visiting Officers to inspect all of the HMOs prior to granting licences, leaving little resource for disrepair service requests or empty homes enforcement.
- 4.7 There would also be the need to improve the management of the HMO process within Civica APP and review the application process. The council's Business Development and IT team were asked to develop an online portal for HMO managers to apply for licences, submit electronic documents, and self-administer renewals and compliance of licence conditions such as renewed safety certificates. Although the forms system could produce an online application form, this is complex and would not have the portal capabilities that the service requires. The forms system does not integrate with or replace Civica APP and therefore this solution would not provide a saving in administrative time.

4.8 Proposed Process

Option 1 – Software Solutions

The G Cloud procurement framework was investigated for products on the market that could solve the barriers and gaps in the HMO licensing process. Four products were considered – Rocktime Verso, Idox, Tascomi, and Arcus.

[Idox](#) do not currently produce a HMO licence application system. Idox Regulatory Services provides information and data management, and although they are developing an IApply product this is currently only available for planning and building control and would not work with APP. Idox Uniform is a potential replacement for rather than an enhancement to Civica APP, and would integrate with the Rocktime software also considered below.

[Tascomi](#) covers a number of service areas in one product called “public protection”. This is again more of a replacement for Civica APP as a case management database. It provides simple online transactions but not the portal capabilities that the service requires.

[Arcus](#) produces software for built environment, licensing, and regulatory services but not specifically for HMO Licensing. It is more focused on software for processing and managing workflows with online portals for applications as a small part of that, and would again be more of a replacement for Civica APP.

Rocktime produce a cloud based portal called Verso specifically for managing HMO licence applications. A representative of Rocktime demonstrated the system to officers from Private Housing and Systems teams and this appears to meet our needs. More detail is provided below.

4.9 Preferred Software Solution - Rocktime Verso

Verso is a cloud based system which is able to integrate with Civica APP or Idox, the council’s address gazetteer, the payments system, and companies house. HMO licence applicants complete an online form, which they can save when partially completed and return to complete. The system copies landlord and relevant person data for portfolio landlords to streamline the process, and help buttons provide advice notes, limiting calls to the council for assistance. Licensees receive automatic reminders to update gas safety certificates, to declare compliance with licence conditions, and to renew expiring licences. The system pre-populates licence renewal information saving time for the customer but importantly requiring them to confirm that nothing has changed. These features will save a significant amount of officer time sending requests and reminders, and reduce delays in enforcing licensing requirements.

- 4.10 The licence fee is automatically calculated and a request for online payment automatically generated, linking to our existing online payments system. This protects the projected income from HMO licence fees as payment is made upfront and although there is a small transaction fee (that is already incurred on licence fees currently paid online on receipt of the invoice), online payment saves staff time in both private housing and debtors teams, and supports the council’s aim to deliver services digitally. Verso is flexible to our requirements and the initial set up will include

crossovers to our existing policies such as Article 4 and the Trusted Landlord Scheme. Multiple officers can process each application, with different access permissions.

- 4.11 A Red/Amber/Green rating system indicates to officers if responses given by applicants are likely to cause concern – such as inadequate fire safety and out of date certification. This will reduce senior officer time processing applications and improve consistency in enforcement decisions. An authorised officer still makes the decision to grant or refuse a licence preventing inappropriate grants of licences, but the RAG rating allows lower risk HMO applications to be allocated to a Technical Officer as compliance can be demonstrated, and also for the inspection to be scheduled during the five years of the licence rather than before. Officers can see if a HMO Licence application has been started and not completed, flagging the address as an unlicensed HMO for enforcement action to secure a licence application and associated fee payment. The RAG rating system identifies if the landlord has completed actions to comply with licence conditions, without having to send reminders. This will assist the Rogue Landlord project and longer term housing enforcement.
- 4.12 Verso is used to prepare and send standard documents and will make more use of electronic delivery of correspondence, speeding up the process and reducing printing and postage costs. The system records the status of an application received, draft licence sent, licence granted or due for renewal. Standard and customised reports will assist with performance management. References and a demonstration of the live system from a current user will be sought if the project proceeds.
- 4.13 Rocktime Verso integrates with existing systems and the set up process will be completed to meet the needs of the council. Full integration into Civica APP is subject to the purchase of an additional API, the cost of which is set by Civica and additional to the Verso costs. It is suggested that full integration is postponed until a decision is made on which case management system will be used by the council in future years, only basic case details are input on APP for cross referencing with other services, and most of the case management is done on Verso. Should the replacement of APP be delayed, there may be some interim costs for integration with APP which may need to be considered. Data on existing HMOs will be imported from APP into Verso using excel reporting, so that renewals are processed in Verso for existing licensees. The Verso system is cloud based and so will not impact on IT resources such as space on the servers and back-up requirements. It is possible for the council to host the system but Verso's web hosting is preferred by the BDIT team and offers value for money. The costs of Verso are likely to be contained as calculated in section 6.1.

4.14 **Staffing**

It is estimated that with Verso in place, one further HMO Licensing and Enforcement Officer at grade P01A will be needed from October 2018 on top of the existing 3 establishment posts, to process the total 901 licences required – so a total of four HSEOs are each licensing 45 HMOs a year (around one a week) as well as enforcing against unlicensed HMOs, serving HHSRS notices, progressing empty home CPOs etc. and other enforcement.

The existing Technical Officers will assist with “green” rated applications to manage demand and maintain their knowledge. It is proposed that the RAG rating in Verso will enable some of the higher standard applications or renewals to be passported through

licensing, and compliance checks on these will be carried out during the five years of the licence, allowing the work to be spread over five years rather than in peaks and troughs. The Technical Assistant will be able to manage the additional cases as so much of the work will be automated and documents sent electronically. If the actual number of licensable HMOs is much higher than the BRE data estimates, a further request for additional staff will be submitted, with costs to be met from the scaled up licence fee income.

4.15 **Timeline**

It is essential to have adequate staff, and desirable to complete the implementation of Rocktime Verso, ready for the commencement of regulations extending the scope of HMO licensing in October 2018. The legislative change has increased demand on Rocktime from other authorities so their lead time from order to implementation is 8 to 10 weeks once contracts are signed.

Report to CMT	12 June 2018
Procurement and Project Management documentation	13/6/18 – 4/7/18
Executive Committee	23 July 2018
Verso Development & customisation (10 weeks) starts	2 August 2018
Recruitment	2/8/18 to 15/09/18
Verso testing and training	10 September 2018
Legislative change in force	1 October 2018
Verso Go live	8 October 2018

A project brief for the purchase of Rocktime Verso has been approved by Simon Colburn, Assistant Director Health and Environment.

4.16 **Option 2 – Additional Support Officer**

Without Verso, it is certain that additional staff will be required. In addition to the one Housing Standards and Enforcement Officer proposed in Option 1, a further establishment Technical Assistant at Scale 3 will be needed to deal with the administration of a further 583 licences.

- 4.17 The workload of HMO inspections and condition monitoring will be increased, but the savings on Verso are not enough to add a fifth HSEO post to the establishment. The demand on the Housing Standards and Enforcement Officers to deal with the initial influx of licence applications in October 2018 would be likely to exceed available resources leading to lengthy waiting lists for both HMO Licences and service requests where a hazard has been identified and a duty to take formal enforcement has been identified. It is important to ensure adequate enforcement resources to allow proactive enforcement, building on the successes of the rogue landlord project.

5. **Strategic Priorities**

5.1 Let's deliver quality housing

In line with Vision 2020 priorities, the council's Rogue Landlord project 2017-19 is targeting the Park and Abbey wards of the city to identify substandard housing, including unlicensed and poorly managed HMOs. Meanwhile, the Trusted Landlord Scheme encourages self-regulation, supporting landlords to provide safe and well managed HMOs and improving standards. It is necessary to resource the private

housing team to fulfil its mandatory HMO licensing duties to support these aims.

5.2 High performing services

Regulation 32 of [The Provision of Services Regulations 2009](#) requires licence applications to be accessible electronically through the council's website. The purchase of the proposed software will provide compliance with this requirement and contribute towards the Authority's aim to deliver services digitally.

6. Organisational Impacts [FINANCE, LEGAL AND E & D SECTIONS BELOW ARE MANDATORY, OTHERS TO BE COMPLETED ONLY WHERE THERE IS AN IMPACT]

6.1 Finance (including whole life costs where applicable)

Option 1 – Additional Housing Standards and Enforcement Officer and Verso with HMO Licence fee at current fees and charges tariff of £590 per licence

The upfront capital costs of Verso will initially be funded from the Council's Invest to Save Reserve, transfer via Direct Revenue Financing. The reserve will then be replenished using the revenue savings in 2018/19 – 2020/21. Once the reserve has been replenished the ongoing savings would be contributed to the TFS savings target.

	MTFS 2018-23						
	2018/19	2019/20	2020/21	2021/22	2022/23	Total	
	£	£	£	£	£	£	
Revenue							Additional income generated from new legislation Includes staff costs and support cost of VERSO
Income	(40,870)	(78,460)	(80,650)	(82,910)	(85,240)	(368,130)	
Revenue Expenditure	35,120	61,720	62,780	63,790	64,850	288,260	
Net revenue shortfall	(5,750)	(16,740)	(17,870)	(19,120)	(20,390)	(79,870)	MTFS Surplus
Capital Expenditure	25,000	-	-	-	-	25,000	
MTFS Surplus	19,250	(16,740)	(17,870)	(19,120)	(20,390)	(54,870)	

Option 2 – Additional FTE Housing Standards and Enforcement Officer and FTE Technical Assistant with no invest to save proposal for Verso with HMO Licence Fee at current fees and charges tariff of £590 per licence

The ongoing savings from this option would be contributed to the TFS savings target

	MTFS 2018-23					Total	
	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £		
Revenue Income	(40,870)	(78,460)	(80,650)	(82,910)	(85,240)	(368,130)	Additional income generated from new legislation Includes staff costs and support cost of VERSO
Revenue Expenditure	41,580	74,870	76,400	77,880	79,780	350,510	
MTFS Surplus	710	(3,590)	(4,250)	(5,030)	(5,460)	(17,620)	MTFS Surplus

6.2 Legal Implications including Procurement Rules

Sections 55 and 61 of the Housing Act 2004 place a mandatory duty on the council to determine HMO licence applications in a reasonable time and to identify unlicensed HMOs. There is a risk of harm to occupiers as well as legal challenge if HMO licence applications are not received and processed in timely manner. Internal audit have recommended improvements to the current HMO licensing procedure and the extension of mandatory licensing to include one and two storey HMOs will present a serious challenge to the private housing team to comply with the authority's duties within current resources.

The appointment of Rocktime would be through the Crown Commercial Service G-Cloud 9 framework and as such is a fully compliant procurement route. The contract term will be for a period of 5 years with the option to extend for a further period of five years.

The BDIT team are satisfied that the Verso system has adequate information security protection to comply with data protection requirements. A Data Privacy Impact Assessment will be carried out prior to implementation.

The enforcement regime required, as outlined above, will require legal resources to support the private housing team.

6.3 Land, property and accommodation

6.4 Human Resources

Both options involve an increase to the established structure of the Private Housing Team. Option one is for one Housing Standards and Enforcement Officer (PO1A). Option two is for one Housing Standards and Enforcement Officer (PO1A) and one Technical Assistant (S3).

6.5 Equality, Diversity & Human Rights

A full EIA has not been completed.

The Provision of Services Regulations 2009 brought into English law an EU Directive whose broad aim is to promote access to services across the EU from within any member state. The Rogue Landlord Project has identified that HMOs in Lincoln are often occupied by vulnerable migrant workers. The provision of an online application portal will have a positive impact for people with nationality other than English, allowing a quick and straightforward way for landlords to apply for licences if they live elsewhere, and safeguarding the health and safety of economic migrants. No negative impacts for any of the protected characteristics are foreseen.

7. Risk Implications

7.1 (i) Options Explored

The preferred option is an invest to save proposal to purchase Rocktime Verso software and to add one Housing Standards and Enforcement Officer Scale PO1a post to the establishment.

The alternative option is to add one Housing Standards and Enforcement Officer post and one Technical Assistant post to the establishment, with no further investment in technology.

7.2 (ii) Key risks associated with the preferred approach

That the anticipated number of HMO licence applications are not received, or that landlords change the occupancy to avoid licensing. This risk is reduced by obtaining up to date stock modelling data from the BRE. The finance model allows for a 20% reduction in HMO numbers from those estimated before option 1 becomes unaffordable.

That the software does not operate as expected. This risk is reduced by seeing a demonstration of the software, procurement through the G Cloud framework, and obtaining references and feedback from an existing user before entering into contract. The implementation, customisation and support costs are agreed upfront to prevent unforeseen costs. A breakdown of staff costs to process a HMO licence shows the staff efficiencies gained by investing in software.

8. Recommendation

8.1 That Option 1 above is approved – that the purchase of Rocktime Verso software proceeds and that a management of change for one additional establishment Housing Standards and Enforcement Officer is commenced.

8.2 That £25,000 is allocated with the General Investment Programme, funded from the Invest to Save Reserve for the purchase of the new Verso System and that the ongoing revenue savings are used to replenish the reserve before being contributed to the TFS Programme.

Is this a key decision?

No

**Do the exempt
information categories
apply?**

No

**Does Rule 15 of the
Scrutiny Procedure
Rules (call-in and
urgency) apply?**

No

**How many appendices
does the report contain?**

None

**List of Background
Papers:**

None

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