

Nottingham City Council Selective Licensing Scheme – Fee Calculation

1. The decision to introduce Selective Licensing was made by the City Council at its Executive Board in April 2018. The Scheme report is available publically and can be accessed via the direct link below:

<http://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=6603>

2. The relevant report can be found at item 85 of the Agenda. Paragraph 4 of the report addresses the financial implications associated with the decision under the heading 'Finance colleague comments (including implications and value for money/vat)'. This section has been extracted and a copy is shown at Appendix 3 of this response for ease of reference.
3. Under the Housing Act 2004, a Local Authority is permitted to charge a fixed fee which takes into account all costs incurred by the Local Authority in carrying out its functions relating to Selective Licensing. The City Council has followed the Local Government Association (LGA) guidance when calculating the licence fee. The LGA guidance 'Open for Business' explains what costs can and cannot be included when setting a fee. The Guidance helps Councils understand the issues that should be considered when setting local license fees in order to meet legal obligations and in order to provide the reassurance and transparency that citizens and local businesses expect.

<https://www.local.gov.uk/open-business-lga-guidance-locally-set-licence-fees>

4. The fee for Selective Licensing has been calculated to cover all relevant costs associated with the set-up, administration, compliance and enforcement associated with the Scheme in accordance with current legislation and case law.
5. Paragraphs 6-12 below provide an explanation of the total figures used to calculate the selective licensing fee. Contained within Appendix 2 to this response is a copy of the relevant background data and assumptions which were used to calculate the total figures used and which follow the methodology set out in the LGA guidance 'Open for Business.'
6. The total cost of the Selective Licensing Scheme over the five years is estimated to be £18,718,643 which includes the estimated personnel costs, operating costs, and the initial set up costs over the 5 years of the Scheme. These costs have been spread across 24,000 properties over the 5 years of the scheme to arrive at the selective licensing fee of £779.94 this is an equivalent weekly cost of £3 per property.
7. The projected personnel costs over the 5 years of the scheme is shown in the table below. These figures are informed by the total figures for staffing costs taken from Appendix 2 - Table 6 which have been added to staffing cost elements from the "Overhead Calculations" on Table 3.

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Personnel Costs	2,102,218	2,144,262	2,187,147	2,230,890	2,275,508	10,940,026

8. The projected enforcement costs and overhead costs over the 5 years of the Scheme are shown below. The enforcement costs are informed by the information taken from

Appendix 2 - Table 2. The overhead costs shown below are informed by the “Overhead Calculations” on Table 3 and have been presented below into their component parts.

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Enforcement & associated costs	458,901	468,079	477,441	486,989	496,729	2,388,139
Telephony	9,103	9,239	9,415	9,594	9,776	47,126
Premises	160,600	163,009	166,106	169,262	172,478	831,456
Transport	16,000	16,240	16,549	16,863	17,183	82,835
Supplies & Services	148,419	150,645	153,507	156,424	159,396	768,392
IT Support & New IT System	172,701	175,292	178,622	182,016	185,474	894,106
Other overheads inc EHO, Legal, Finance, HR , Bus Analyst support functions	241,795	245,422	250,085	254,836	259,678	1,251,816
Annual Operating Costs	1,207,519	1,227,926	1,251,725	1,275,985	1,300,716	6,263,870

9. The projected set up costs over the 5 years of the Scheme are shown below. The initial set up costs are directly informed by the Appendix 2 - Table 4

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Initial Set-Up Costs	302,950	302,950	302,950	302,950	302,950	1,514,748

10. All of the projected personnel, enforcement, overhead and initial set up costs come to the total of £3,612,686 in year 1 shown below. As the fee is a five year fee these costs are subject to inflation figures (Salaries and Non Salaries inflators) and are informed by the government's treasury forecasts (Known as deflators). The resultant total cost for the five years is £18,718,643 as shown below.

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Salaries inflator		2.0%	2.0%	2.0%	2.0%	
Non salaries inflator *		1.5%	1.9%	1.9%	1.9%	
Total Costs	3,612,686	3,675,138	3,741,822	3,809,825	3,879,173	18,718,643

*Source HMG Treasury Deflator Forecasts Mar 2017

11. For the purposes of the financial model, the expected numbers of licences forecast to be issued over the five year period have been equally split over each of the five years. The total expected numbers of licences forecast to be issued over the five year period (24,000) is shown below.

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Total Number Of Licences	4,800	4,800	4,800	4,800	4,800	24,000

12. Dividing the costs £18,718,643 by the number of licences 24,000 gives the resultant cost of £799.94 as shown below.

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Price Per Licence (Based On Average)	£752.64	£765.65	£779.55	£793.71	£808.16	£779.94

Data & Assumptions

1. In the following tables numbered 1-7 it shows a breakdown of the data and assumptions which were used to calculate the fee for selective licensing following the methodology set out in the LGA guidance 'Open for Business'.

2. **Table 1**

The table below is a calculation of non-productive hourly rates. Non-productive time is the recommended calculation supported by the Institute of Licensing (IoL) and the Local Government Association (LGA). The table is a guide based on 2017/18 payscales + 2%

SALARY & PRODUCTIVE HOURS ANALYSIS

Grade	Gross Salary Cost	Basic Days	Holidays (Days)	Net Days	Net Hours	Non Productive days per year	Days	Productive Hours	Gross hrly Rate		
F	34,740	252	29	223	1,650.20	104	119.00	880.60	£39.45	46%	75,902
D	25,223	252	27	225	1,665.00	45	180.00	1,332.00	£18.94	69%	36,433
E	29,227	252	29	223	1,650.20	45	178.00	1,317.20	£22.19	68%	42,691
F	34,740	252	29	223	1,650.20	45	178.00	1,317.20	£26.37	68%	50,743
G	39,400	252	29	223	1,650.20	50	173.00	1,280.20	£30.78	67%	59,214
H	45,087	252	34	218	1,613.20	80	138.00	1,021.20	£44.15	53%	84,947
I	45,087	252	34	218	1,613.20	104	114.00	843.60	£53.45	44%	102,830
J	58,164	252	34	218	1,613.20	50	168.00	1,243.20	£46.79	65%	90,016
K	64,607	252	34	218	1,613.20	104	114.00	843.60	£76.58	44%	147,350
SLMG	88,070	252	34	218	1,613.20	45	173.00	1,280.20	£68.79	67%	132,360
Director	125,300	252	34	218	1,613.20	50	168.00	1,243.20	£100.79	65%	193,917

3. **Table 2**

This table is a calculation of the number of staff required to perform Enforcement Activities and the associated costs.

Enforcement costs	£s	Staff Nos (for O/H calcs)
1 x Grade I	45,087	1
3 x Grade F	104,219	3
2 x Grade G	78,800	2
3 x Grade H	135,261	3
2 x Grade D	50,446	2
1 x Grade H	45,087	1
Annual Operating Costs	458,901	12

4. **Table 3**

This table shows the type and costs of overheads necessary to support staff perform their duties.

	Based on 14.5	Overhead Calculations	
	staff in the		Total no. of
	Addnl S/Sheet	per person	staff = 73.00
Accommodation (inc light heat maint)		2,200	160,600
Transport			16,000
Office Equip Stationery Printing etc	3,800	262	19,131
Lone working system			2,160
IT Support	20,597	1,420	103,695
IT External annual licence costs			49,846
Firmstep			17,000
Postage			14,400
Training	250		18,250
Recruitment			26,398
Corp Services	2,181	150	10,980
HR Payroll processing etc	22,970	1,584	97,607
Finance processing payments etc	7,743	534	38,982
HR Recruitment and HR issues			18,035
Finance. Budgeting/costing/forecasting/bus analyst			67,133
Stakeholder Engagement			47,351
Legal	1,799	124	9,057
Charge for Specialist staff			70,240
Housing Project Officer			45,087
Balance between actual and FTE			23,945
Phones	1,093	75	9,103
HoS (50%) to include 10% of existing Senior HoS			52,395
Total	60,433	4,168	917,396

5. **Table 4**

This table covers all of the staffing and associated costs necessary to set up, consult and deliver the overarching Selective Licensing Scheme

Set Up and review costs

New IT system and IT set up costs	356,360
Accommodation set up e.g. desks, stationary, chairs etc.	105,000
PPE and inspection equipment	27,375
Training	46,000
One off set up, reviewing guidance and policy documents	45,087
HR	8,340
Publicity	60,000
Advice from Finance and Bus Analyst/costing model	21,850
Exit strategy (staff exit costs)	438,000
Sub - Total	1,108,012
Additional set up costs identified	
Licensing staff pre-start	30,6736
Vehicles	100,000
Sub total	406,736
Total	1,514,748

Assumed 25% will be redeployed

6. **Table 5**

These tables relate to the work streams set out on Table 6. They show the likelihood of separate tasks being carried out for each element. For example see 7.4 below, it is currently forecast that 1% of the total number of licences issued (i.e. 240) will be subject to Appeals to the Residential Property Tribunal.

1	Request For & Receipt Of Application; Checking & Recording Of Information	%
1.1	Receive request for application form and support pack. Record details on database and post out.	100%
1.2	Receive returned Application Form. Send acknowledgement letter. Enter Application details on Database.	100%
1.3	Check form	100%
1.3.1	Gas Safety Certificate	100%
1.3.2	Electrical Appliance Test Certificate	100%
1.3.3	Electrical Installation Test Certificate	100%
1.3.4	Fire Alarm and Emergency Lighting Test Certificate	100%
1.3.5	Terms of Tenancy / Tenancy Agreement.	100%
1.3.6	Land Registry check	100%
1.3.7	Check details on form and plan	100%
1.4		100%
1.5	Case discussions	100%

2	Compliance Checks	
2.1	Create Fit and Proper report. Check enforcement database (s) and case discussion. Links with other agencies	100%
2.2	Check history for previous Accreditation etc.	100%
2.3	Physical inspection for licence verification (HHSRS not included)	100%
2.4	Case discussion	100%

3	Consider, Set Conditions, Prepare And Issue Licence	
3.1	Licence decision making and review management arrangements,	100%
3.2	Assess property and application inspection needed? Determine Conditions and Occupancy Levels	100%
3.3	Prepare draft licence documentation, sch.5 notice and cover letter to all relevant persons	100%
3.4	Issue/Serve Proposed Licence & Sch.5 Notice sign off by colleague	100%
3.5	Prepare and serve final licence & Sch.5 Notice and cover letter to all relevant persons. Sign off and review, audits.	100%
3.6	Issued revised documents following any representation	10%
3.7	Update information on database	100%
4	Re-inspection / re-visits to properties	

		100%
5	Physical Inspection For Licence Verification. (HHSRS NOT included)	
		10%
6	OTHER ACTIVITIES	
6.1	Total Hours	100%
7	COMPLIANCE ACTIVITIES	
7.1	Incomplete Applications	20%
7.2	Minded to Refuse Licence	3%
7.3	Consider & Respond To Representations	10%
7.4	Appeals to Residential Property Tribunal (RPT)	1%
7.5	Variations To Licence	5%
7.6	Revocation of Licence	3%
7.7	Interim Management Orders	0.25%
7.8	Final Management Orders	0.20%
7.9	Rent Repayment Orders	
7.1	HMO Declarations	

7.11	Searches	10%
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7.12	Compliance work	50%
	Inspection	50%
	Post inspection	25%
	Check paperwork and file	25%
	Post inspection issues to	25%
	Case discussion	10%
	Arrange 2nd visit	25%
	2nd visit	25%
	Final letter	25%
	Case discussion	25%
	File / case audit	10%

7. Table 6

The matrix below sets out the steps necessary to deliver a selective licence, the grade of the officer performing the task and the resultant average total time per task. Not all tasks are performed in every case. Please refer to the explanation at Table 5.

Houses in Multiple Occupation				Total number of applications expected over 5 years							24000
ACTIVITY ANALYSIS				Annual number based on above							4800
			D	E	F	F	H	I	K	SLMG	
		Hourly rate	18.94	22.19	26.37	39.45	44.15	53.45	76.58	83.51	
	STANDARD LICENCE ANALYSIS										
1	Request For & Receipt Of Application; Checking & Recording Of Information										TOTAL FOR ACTIVITY
	1.1	Receive request for application form and support pack. Record details on database and post out.									00:00
	1.2	Receive returned Application Form. Scan application and enter basic application details on Database.									00:00
		Updating database record with relevant information	00:18	00:02							00:20
		Reviewing and updating any other database records as necessary	00:18	00:02							00:20
	1.3	Update further details on database including checking accreditation status, companies house	00:08	00:02							00:10
		Form reviewed and validated as duly made, reviewed e.g. accreditation acknowledgement sent	00:20	00:03							00:23
	1.3.1	Safety certificates check	00:18	00:02							00:20
	1.3.6	Land Registry check	00:13	00:01							00:15
	1.3.7	Review details on form, updating database	00:05	00:01							00:06
	1.3.8	Refunds	00:08	00:01		00:01					00:10
	1.4										00:00
	1.5	Case discussions	00:09	00:02		00:02		00:01			00:14
		Total Hours	01:57	00:16	00:00	00:03	00:00	00:01	00:00	00:00	02:18
2	Compliance Checks										TOTAL FOR ACTIVITY

		Create Fit and Proper report. Further investigations / check enforcement database (s) and case discussions. Links with other agencies	00:18	00:02		00:01					00:21
	2.1										
	2.2	Check history for previous Accreditation etc.									00:00
	2.3	Physical inspection for licence verification (HHSRS not included)	00:03		00:13		00:13				00:29
	2.4	Case discussions	00:04	00:02		00:01		00:01			00:08
		Total Hours	00:25	00:04	00:13	00:02	00:13	00:01	00:00	00:00	00:58
3	Consider, Set Conditions, Prepare And Issue Licence										TOTAL FOR ACTIVITY
	3.1	Licence decision making and review management arrangements,	00:27	00:03							00:30
	3.2	Assess property and application inspection needed? Determine Conditions and Occupancy Levels			00:20		00:20				00:40
	3.3	Prepare draft licence documentation, sch.5 notice and cover letter to all relevant persons	00:23	00:02							00:25
	3.4	Issue/Serve Proposed Licence & Sch.5 Notice sign off by colleague	00:23	00:02		00:01		00:01			00:27
	3.5	Prepare and serve final licence & Sch.5 Notice and cover letter to all relevant persons. Sign off and review, audits.	00:40	00:05		00:01		00:01			00:47
	3.6	Issued revised documents following any representation	00:04	00:01		00:01		00:01			00:07
	3.7	Update information on database	00:25	00:03							00:28
		Total Hours	02:22	00:16	00:20	00:03	00:20	00:03	00:00	00:00	03:24
4	Re-inspection / re-visits to properties										
			00:00	00:00	00:00	00:00	00:00	00:00	00:00	00:00	00:00
5	Physical Inspection For Licence Verification. (HHSRS NOT included)										TOTAL FOR ACTIVITY

											00:00
		Case discussion / Audit		00:22		00:10		00:01	00:01		00:34
		Total Hours	00:00	00:22	00:00	00:10	00:00	00:01	00:01	00:00	00:34
6	OTHER ACTIVITIES										TOTAL FOR ACTIVITY
	6.1	Total Hours	00:00	00:00	00:00	00:00	00:00	00:00	00:00	00:00	00:00
7	COMPLIANCE ACTIVITIES		C	E	F	F	G	H	K	D	TOTAL FOR ACTIVITY
	7.1	Incomplete Applications	00:49	00:05		00:05		00:01			01:01
	7.2	Minded to Refuse Licence			01:00		01:00	00:15	00:05		02:20
	7.3	Consider & Respond To Representations			02:00		02:00	03:00	00:30		07:30
	7.4	Appeals to Residential Property Tribunal (RPT)	00:27	00:03	18:00		18:00	15:00	05:00		02:08:30
	7.5	Variations To Licence	00:54	00:06	06:00		06:00	00:30	00:10		13:40
	7.6	Revocation of Licence	00:13	00:01	05:00		05:00	01:30	00:30		12:15
	7.7	Interim Management Orders	00:54	00:06	20:00		20:00	20:00	15:00		03:04:00
	7.8	Final Management Orders	00:54	00:06	23:00		23:00	23:00	12:00		03:10:00
	7.9	Rent Repayment Orders									00:00
	7.10	HMO Declarations									00:00
		Total Hours	00:00	00:00	00:00	00:00	00:00	00:00	00:00	00:00	00:00
	Searches										
	7.11	Conduct / Review Searches other departments / partners				00:15	00:15				00:30
	Compliance Inspections										

7.12	Compliance work - Pre-inspection	00:55	00:05	00:15							01:15
	Inspection			03:00		00:20					03:20
	Post inspection - no issue - letter sent	00:18	00:02	00:30							00:50
	Check paperwork and review paperwork	00:27	00:03	00:20							00:50
	Post inspection issues to resolve - letter sent	00:13	00:01	02:00							02:15
	Case discussion			00:15			00:05	00:01			00:21
	Arrange 2nd visit	00:15		00:15							00:30
	2nd visit			02:00							02:00
	Final letter - resolved or further action.			00:30							00:30
	Case discussion after 2nd visit, still non-compliance			00:15			00:15				00:30
	File / case audit						00:40				00:40

8. Table 7

This page is the time expressed in minutes on Table 6 converted into decimal hours in order to create a cost in £'s per element. These are then totalled to show the staff costs for each licence. The large number in the bottom right hand corner shows the total staff costs for the first of the five years of the life of the Selective Licensing Programme. Each element is again subject to the probability referred to in the explanation regarding Table 5.

Activity Analysis

STANDARD LICENCE ANALYSIS Gross hourly rate		D	E	F	F	H	I	K	SLMG	
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1 Request For & Receipt Of Application; Checking & Recording Of Information

										TOTAL FOR ACTIVITY	
Decimal hours		1.96	0.28	0.00	0.05	0.00	0.02	0.00	0.00	2.30	
	Costs	37.08	6.10	0.00	1.97	0.00	0.89	0.00	0.00	46.05	100.00%

2 Compliance Checks

										TOTAL FOR ACTIVITY	
Decimal hours		0.42	0.07	0.22	0.03	0.22	0.02	0.00	0.00	0.97	
	Costs	7.26	1.36	5.26	1.21	8.80	0.82	0.00	0.00	24.71	92.00%

3 Consider, Set Conditions, Prepare And Issue Licence

										TOTAL FOR ACTIVITY	
Decimal hours		2.37	0.27	0.33	0.05	0.33	0.05	0.00	0.00	3.40	
	Costs	43.92	5.80	8.62	1.93	14.42	2.62	0.00	0.00	77.31	98.00%

TOTAL FOR ACTIVITY

4 Re-inspection / re-visits to properties										
Total Hours	00:00	00:00	00:00	00:00	00:00	00:00	00:00	00:00	00:00	00:00

5 Physical Inspection For Licence Verification. (HHSRS NOT included)										TOTAL FOR ACTIVITY
Decimal hours	0.00	0.37	0.00	0.17	0.00	0.02	0.02	0.00	0.57	
Costs	0.00	8.14	0.00	6.58	0.00	0.89	1.28	0.00	16.88	100.00%

Total STANDARD LICENCE ANALYSIS

	04:44	00:58	00:33	00:18	00:33	00:06	00:01	00:00	07:14
Decimal hours	4.74	0.98	0.55	0.30	0.55	0.10	0.02	0.00	7.23
Costs	89.79	21.63	14.51	11.84	24.28	5.34	1.28	0.00	168.67

6 OTHER ACTIVITIES										TOTAL FOR ACTIVITY
Total OTHER ACTIVITIES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

**COMPLIANCE
7 ACTIVITIES**

7.1	Incomplete Applications										
	Total Hours	00:49	00:05	00:00	00:05	00:00	00:01	00:00	00:00	01:01	20.00%
	Decimal hours	0.83	0.09	0.00	0.08	0.00	0.02	0.00	0.00	1.02	
	Costs	3.12	0.41	0.00	0.66	0.00	0.18	0.00	0.00	4.37	

7.2	Minded to Refuse Licence										
	Total Hours	00:00	00:00	01:00	00:00	01:00	00:15	00:05	00:00	02:20	3.00%
	Decimal hours	0.00	0.00	1.00	0.00	1.00	0.25	0.08	0.00	2.33	
	Costs	0.00	0.00	0.79	0.00	1.32	0.40	0.19	0.00	2.71	

7.3	Consider & Respond To Representations										
	Total Hours	00:00	00:00	02:00	00:00	02:00	03:00	00:30	00:00	07:30	10.00%
	Decimal hours	0.00	0.00	2.00	0.00	2.00	3.00	0.50	0.00	7.50	
	Costs	0.00	0.00	5.27	0.00	8.83	16.03	3.83	0.00	33.97	

7.4	Appeals to Residential Property Tribunal (RPT)										
	Total Hours	00:27	00:03	18:00	00:00	18:00	15:00	05:00	00:00	02:08:30	1.00%
	Decimal hours	0.45	0.05	18.00	0.00	18.00	15.00	5.00	0.00	8.50	
	Costs	0.09	0.01	4.75	0.00	7.95	8.02	3.83	0.00	24.64	

7.5	Variations To Licence										
	Total Hours	00:54	00:06	06:00	00:00	06:00	00:30	00:10	00:00	13:40	5.00%
	Decimal hours	0.90	0.10	6.00	0.00	6.00	0.50	0.17	0.00	13.67	
	Costs	0.85	0.11	7.91	0.00	13.25	1.34	0.64	0.00	24.09	

7.6	Revocation of Licence										
	Total Hours	00:13	00:01	05:00	00:00	05:00	01:30	00:30	00:00	12:15	3.00%
	Decimal hours	0.23	0.03	5.00	0.00	5.00	1.50	0.50	0.00	12.25	
	Costs	0.13	0.02	3.96	0.00	6.62	2.41	1.15	0.00	14.28	

7.7	Interim Management Orders										
	Total Hours	00:54	00:06	20:00	00:00	20:00	20:00	15:00	00:00	03:04:00	0.25%
	Decimal hours	0.90	0.10	20.00	0.00	20.00	20.00	15.00	0.00	4.00	
	Costs	0.04	0.01	1.32	0.00	2.21	2.67	2.87	0.00	9.12	

7.8	Final Management Orders										
	Total Hours	00:54	00:06	23:00	00:00	23:00	23:00	12:00	00:00	10:00	0.20%
	Decimal hours	0.90	0.10	23.00	0.00	23.00	23.00	12.00	0.00	10.00	
	Costs	0.03	0.00	1.21	0.00	2.03	2.46	1.84	0.00	7.58	

7.9	Rent Repayment Orders										
	Total Hours	00:00	00:00	00:00	00:00	00:00	00:00	00:00	00:00	00:00	
	Decimal hours	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
	Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	

7.10	HMO Declarations										
	Decimal hours	00:00	00:00	00:00	00:00	00:00	00:00	00:00	00:00	00:00	
	Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
	Costs	4.27	0.56	25.21	0.66	42.21	33.50	14.35	0.00	120.75	

7.11	Conduct / Review Searches										
	Total Hours	00:00	00:00	00:00	00:15	00:15	00:00	00:00	00:00	00:30	10.00%
	Decimal hours	0.00	0.00	0.00	0.25	0.25	0.00	0.00	0.00	0.50	
	Costs	0.00	0.00	0.00	0.99	1.10	0.00	0.00	0.00	2.09	

7.12	Compliance work - Pre-inspection (phone calls, s239 and checking any works required)										
		0.92		0.25	0.00	0.00	0.00	0.00	0.00	1.17	50.00%
	Inspection	0.00		3.00	0.00	0.33	0.00	0.00	0.00	3.33	50.00%
	Post inspection - no issue - letter sent, but still requesting certificates	0.30		0.50	0.00	0.00	0.00	0.00	0.00	0.80	25.00%
	Check paperwork and file paperwork	0.45		0.33	0.00	0.00	0.00	0.00	0.00	0.78	25.00%
	Post inspection issues to resolve - letter sent	0.23		2.00	0.00	0.00	0.00	0.00	0.00	2.23	25.00%
	Case discussion	0.00		0.25	0.00	0.00	0.08	0.02	0.00	0.35	10.00%
	Arrange 2nd visit (Phone calls and s239)	0.25		0.25	0.00	0.00	0.00	0.00	0.00	0.50	25.00%
	2nd visit	0.00		2.00	0.00	0.00	0.00	0.00	0.00	2.00	25.00%
	Final letter - resolved or further action includes updating flare	0.00		0.50	0.00	0.00	0.00	0.00	0.00	0.50	25.00%
	Case discussion after 2nd visit, still non-compliance	0.00		0.25	0.00	0.00	0.25	0.00	0.00	0.50	25.00%
	File / case audit	0.00		0.00	0.00	0.00	0.67	0.00	0.00	0.67	10.00%
	Total Dedcimal Hours	2.14	0.00	9.33	0.00	0.33	1.00	0.02	0.00	12.83	

7.12	Compliance work - Pre-inspection (phone calls, s239 and checking any works required)										
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		8.68	0.00	3.30	0.00	0.00	0.00	0.00	0.00	11.98	
	Inspection	0.00	0.00	39.56	0.00	7.36	0.00	0.00	0.00	46.92	
	Post inspection - no issue - letter sent, but still requesting certificates	1.42	0.00	3.30	0.00	0.00	0.00	0.00	0.00	4.72	
	Check paperwork and file paperwork	2.13	0.00	2.20	0.00	0.00	0.00	0.00	0.00	4.33	
	Post inspection issues to resolve - letter sent	1.07	0.00	13.19	0.00	0.00	0.00	0.00	0.00	14.25	
	Case discussion	0.00	0.00	0.66	0.00	0.00	0.45	0.13	0.00	1.23	
	Arrange 2nd visit (Phone calls and s239)	1.18	0.00	1.65	0.00	0.00	0.00	0.00	0.00	2.83	
	2nd visit	0.00	0.00	13.19	0.00	0.00	0.00	0.00	0.00	13.19	
	Final letter - resolved or further action includes updating flare	0.00	0.00	3.30	0.00	0.00	0.00	0.00	0.00	3.30	
	Case discussion after 2nd visit, still non-compliance	0.00	0.00	1.65	0.00	0.00	3.34	0.00	0.00	4.99	
	File / case audit	0.00	0.00	0.00	0.00	0.00	3.56	0.00	0.00	3.56	
	Costs	14.48	0.00	81.98	0.00	7.36	7.35	0.13	0.00	111.29	111.29

TOTAL OF ALL THE HMO LICENSING COSTS										
BY GRADE	108.53	22.19	121.70	13.48	74.95	46.20	15.75	0.00	402.80	402.80
Checks and balances	107.01	21.95	121.07	13.33	73.89	46.07	15.75	0.00	399.07	
	1.53	0.24	0.63	0.14	1.06	0.12	0.00	0.00	3.73	

The figure from this page which informs the Fee & Staff required calculator at Cell E8 is	1,933,439
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Selective Licensing - Executive Board in April 2018

Set out below is an extract from the Executive Board report in relation to the financial implications of the Scheme. For the full report please click on the link below (agenda item 85). <http://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=6603>

Start of report extract

FINANCE COLLEAGUE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT) FINANCIAL COMMENTS

- 4.1 The estimated value of this scheme over the five-year period is £25,092,000
- 4.2 The standard fee for a licence will cost £780 per property
- 4.3 There is a reduced fee for those properties in an accredited scheme. This fee is set at £480
- 4.4 Based on research and evidence gathering, it is estimated that there are circa. 32,000 private rented properties that potentially fall within the Selective Licensing criteria
- 4.5 This is a self-funded scheme. There will be no gain or loss in association with this scheme, it must remain cost neutral, and therefore there will be no negative impact to the MTFP**
- 4.6 The fee has been calculated by using an updated Local Government Association (LGA) toolkit to ensure value for money, but also to ensure that all allowable costs are recovered.
- 4.7 The assumed costs included are:
 - Staffing costs to run the scheme, these have been included at productive hours only as per the guidance and relevant staff grades for each piece of work.
 - Processing costs of each licence, application, checking etc. – this has been calculated using percentages for the amount of time taken.
 - Enforcement costs (as per recent change to legislation).
 - Management fees
 - Start-up costs.
 - Exit costs.
 - Overhead costs to include accommodation, IT, HR, Finance & Legal support.
 - Inflation factors.

Table 1 below is a breakdown of costs. Original approval was granted on the original fee and costs being based on 75% (24,000) turnover of properties. This decision and table below captures the costs of 100% (32,000) properties. The costs are a guide and need to be flexible throughout the 5 year period based on demand and the risks highlighted in point 4.9 of this report

Table 1: Estimated Operating Costs of scheme	£'000
Personnel Costs	17,491
Operating Costs	
Premises	1,082

Transport	83
Supplies & Services	1,120
IT Support	1,056
Other overheads inc EHO, Legal, Finance, HR , Business Analyst support functions	1,515
Operating Costs	4,856
Publicity and exit fees	1,753
Non-recoverable costs - see Table 2*	992
Total Costs	25,092

*These costs are not part of the fee

In the event that the amount of licences received varies from the estimated 32,000 properties, the income will invariably change, costs would remain in line to reflect this. In the event that the licence numbers exceed the 24,000 as estimated and up to 32,000, additional resources would be factored in and budgeted for accordingly. Likewise, if income falls below, the operating model would be reduced to reflect this. The scheme will remain self-sufficient.

4.9 Risks

The risks were highlighted in the Executive Board report in July 2017 and remain the same.

- I. There are risks to this scheme which could have an impact on the financial business model (covered below)
- II. An example of some of the risks that could impact on the schemes financial viability and would require a resources review to mitigate are:
 - Level of applications vary.
 - Landlords may gain accreditation in order to secure a lower fee. Accredited landlords could receive a reduction of £300. Significant changes to accreditation numbers will affect costs and income.
 - If operational activity identifies unexpected qualities of property (better or worse) which would mean staffing balance or costs are different to those that are anticipated.
 - If there is any legislative, guidance changes and/or case law rulings
 - Any other changes to service delivery which is impacted by issues for example, IT, accreditation providers, staffing, accommodation etc, it may be necessary to amend the business model
- III. The valuation and sensitivity of risks above currently cannot be quantified however; these will be developed as the scheme progresses. During this time the following needs to be in place to ensure the early warning of risks and the ability to undertake corrective action mitigating any financial impact to the organisation:
 - Robust performance monitoring frameworks for both operational and financial targets.
 - Staffing flexibility set up to be able to align to activity levels.
 - The business model includes full staffing exit costs (as referred to above).

4.10 The scheme will run for a **five year** period. Every year, a balanced net zero budget will be set based on projected activity. Monthly budget monitoring will ensure the budget stays on track. Periodically where necessary, the budget may be re-aligned in year to reflect changes in activity.

- 4.11 There is also the inevitability that applications will not be made uniformly over the duration of the scheme. As with previous similar licensing schemes, it is likely that a larger proportion of income will come in in the early years, meaning there will be no impact on borrowing from the authority. A cash flow statement is currently being developed. Due to the fact that this scheme needs to be self-financing with no gain or loss to be aligned to the Local Authority, the peaks and troughs in both income and expenditure has to be managed.
- 4.12 This will be done by applying the relevant accounting treatment – Receipts in Advance. This form of accounting treatment has been confirmed by CIPFA. This will ensure there is no impact on the MTFP and the scheme remains viable for the whole term.
- 4.13 The Selective Licencing scheme also includes non-recoverable costs, which over the five years are estimated to be at £0.992m. These are set out in **Table 2** below and are reflected in table 1.

Table 2: Estimated Non-recoverable costs	
Costs	£m
Housing rating Inspection	0.525
Prosecutions of licence conditions through the courts	0.300
Tribunal costs including Legal	0.153
Locksmiths	0.014
TOTAL	0.992

** MTFP means Medium Term Financial Plan

End of report extract.