



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**



Council

Date 26th February 2026

Report of Councillor Moran, Cabinet
Member for Housing

Houses of Multiple Occupation Licence Fees 2026-2027

Report Author

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Purpose of Report

To seek Full Council approval for the HMO licensing fee structure for the 2026/2027 financial year, to take effect from 1 April 2026. Two cost-recovery models are presented for consideration, reflecting current and enhanced enforcement approaches. Where the enhanced model is approved, the report also seeks approval for the associated allocation of funding to support implementation.

Recommendations

That the Council:

- 1 Approves one of the following options for setting the Houses of Multiple Occupation ('HMO') Licensing Fees for the period 2026-2027, to take effect from 1 April 2026:**

Option 1 – Current Cost Recovery Model

The HMO licensing fees as set out in the Fees and Charges report considered by Council on 29 January 2026 reflecting the full cost recovery model based on current levels of service delivery and enforcement

Option 2 – Enhanced Enforcement Cost Recovery Model

- (a) The revised HMO licensing fees set out at para.2.10 of this Report, reflecting cost recovery associated with an enhanced HMO enforcement and compliance function
- (b) The allocation of funding from the Local Priorities Reserve to support the recruitment of an additional HMO Officer at an estimated annual cost of £55,440, and delegate authority to the Section 151 Officer to implement the necessary budget and reserve adjustments.

2 Delegates authority to the Section 151 Officer, in consultation with the Director of Housing and the Monitoring Officer, to implement the approved fee structure.

Decision Information	
Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	Effective Council Housing
Which wards are impacted?	All

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

- 1.1 The budget proposals that have been presented to Budget – Joint OSC, Cabinet and Council have been formulated based on Option 1 and no increase to staffing resources. Should Option 2 be supported, there will be a requirement to increase the staffing budget in the service area to provide additional resources. Therefore, it will be necessary to include a delegation to the Councils s151 Officer to make an amendment to the budget framework 2026/27.

Completed by: Richard Wyles, Deputy Chief Executive and s151 Officer

Legal and Governance

- 1.2 The Council has statutory powers to license HMOs under the Housing Act 2004. In exercising those functions, the Council is permitted to set fees for HMO licensing provided such fees are set on a cost-recovery basis and are not used to generate a surplus or be punitive in nature.
- 1.3 The proposed HMO licence fees set out in this report have been calculated in accordance with relevant legislation and case law governing licensing fees and cost recovery. The Council must be satisfied that the level of fees approved represents a reasonable estimate of the costs incurred by the authority in administering and enforcing the HMO licensing regime. Fees must not be set so as to generate income exceeding the cost of the licensing function.
- 1.4 Full Council has responsibility for approving the Council's fees and charges schedule and for determining the Council's budget and use of reserves. The options presented within this report therefore fall within the non-executive functions of Full Council.
- 1.5 Option 1 reflects a continuation of the current service delivery and enforcement model and associated cost recovery. Option 2 reflects an enhanced enforcement and compliance approach and the associated increase in recoverable costs. Members must be satisfied that any approved fee structure continues to comply with the legal requirement that licensing fees represent reasonable cost recovery for the licensing regime.
- 1.6 Where Option 2 is approved, the report also seeks approval for the allocation of funding from the Local Priorities Reserve to support the recruitment of an additional HMO Officer. Full Council is responsible for approving the use of reserves and associated budget adjustments.
- 1.7 Members should ensure that the decision reached is rational, evidence-based and consistent with the Council's statutory duties, including its fiduciary duty to local taxpayers and its obligation to act reasonably and lawfully in the setting of fees and charges.

Completed by: Graham Kitchen, Director of Law and Governance (Monitoring Officer)

2. Background to the Report

- 1.1. Under the Housing Act 2004 HMOs of a prescribed description are required to be licensed. As part of the licensing process the Local Authority are able to set a fee

and in doing so must follow applicable legislation and guidance associated with fee setting.

- 1.2. Fees must be set having regard to Provision of Services Regulations 2009 ('the Regulations') and Local Government Association Guidance on locally set licensing fees – 2023.
- 1.3. The Regulations include specific requirements that apply to the charging of fees. Charges must be reasonable and proportionate to the cost of the processes associated with the licensing scheme. Councils must not use fees covered by the Regulations to make a profit or act as an economic deterrent to deter certain business types from operating within an area.
- 1.4. Fees are set based upon the cost that the Council incurs in administering the scheme. The Regulations and applicable case law require fees to be split into two parts; Part A and Part B. Part A is the fee element for the processing of applications and determining the suitability for licensing and Part B is for issuing licenses and any associated actions during the licensing period.
- 1.5. There are two options being provided to Full Council for consideration, which are set out below:

Option 1 – Current Cost Recovery Model

The fees are as set out within the Fees and Charges report considered by Full Council on of 29 January 2026, reflecting cost recovery based on current service delivery and enforcement activity.

The fees proposed in the Fees and Charges report are set out in the table below.

Licence Type	Part A	Part B	Total	Number of Rooms	Increase
New	570.50	152.75	723.25	Up to 5	
	660.50	152.75	813.25	6 – 10	90.00
	750.50	152.75	903.25	11 - 15	180.00
	840.50	152.75	993.25	16 - 20	270.00
	930.50	152.75	1083.25	21- 25	360.00
				Additional rooms beyond 25	18.00
Renewals	437.25	152.75	590.00	Up to 5	
	527.25	152.75	680.00	6 - 10	90.00
	617.25	152.75	770.00	11 - 15	180.00
	707.25	152.75	860.00	16- 20	270.00
	797.25	152.75	950.00	21 - 25	360.00

- 1.6. These fees have been calculated based on the costs the Council incurs when issuing a licence. This fee structure includes the elements associated with Part A and B as described above and a mid-point property inspection. This is capable of being undertaken within the existing resource available within the Private Sector Housing Team.
- 1.7. This is a fully costed fee proposal that meets the associated legislative and guidance requirements. It is not disproportionate and unlike the existing fee structure considers larger properties and includes a sliding scale for properties exceeding 5 bedrooms.
- 1.8. The inclusion of a supplementary fee that is applied to additional bedrooms (which is set in increments of 5 bedrooms) has been costed to include the additional time required to inspect properties with an additional number of bedrooms.

Option 2 – Enhanced Enforcement Cost Recovery Model

- 1.9. At Full Council on 29 January 2026 an alternative fee structure was debated. During the debate Members raised concerns around the number of visits which are undertaken to inspect properties and ensure ongoing licence compliance. It was agreed to defer the decision on the implementation of fees in relation to HMOs and instruct Officers to explore and fully cost a structure which accounted for increased inspection visits and enforcement action in the coming year.
- 1.10. The table below contains the revised proposed fee structure for new and renewal applications for a HMO licence, reflecting anticipated cost recovery associated with an enhanced HMO enforcement and compliance function.

New Licence			
Part A	Part B	Total	
£570.50	£563	£1,133.50	5 Bedrooms
£18	£90	£108	Per additional room
Renewal Licence			
£414.50	£563	£977.50	5 Bedrooms
£18	£90	£108	Per additional room

- 1.11. The proposed regime would result in the fee increasing by £108 per additional room on top of the base fee for a HMO containing up to 5 bedrooms.
- 1.12. As it is now proposed to increase the frequency of inspections from mid-term to annual inspections, the fee element for Part B has increased to take into account the anticipated additional cost in carrying out these additional inspections.

- 1.13. If Option 2 is approved, further resource will be required within the Private Sector Housing Team to undertake the additional annual inspections. The fees detailed above do not fully cover the cost of this new post and additional financial support will need to be provided to facilitate this approach.
- 1.14. The on-costs for an additional Private Sector Housing Officer post are expected to be around £55,440. Given the existing number of licensed HMOs within the district and an average of 12 properties licensed a year (the majority being 5 or 6 bedroom) the income per year, before renewals, is estimated to be around £14,898.
- 1.15. Based upon an average of 12 licences issued per year, renewals are likely to generate an additional £13,026 in fees. This means the total income per year is anticipated to be £27,924. Although the licence numbers per year are gradually trending upwards, there is still likely to be a circa. £27,500 shortfall in fully funding that the proposed additional Private Sector Housing Officer post.
- 1.16. In order for income to fully cover the cost of a new Private Sector Housing Officer post, licensable HMO numbers would need to more than double (and thereafter remain at that increased level). A further consideration is that the existing 61 licensed HMOs would not have paid the increased inspection regime element of the fee but if Option 2 is approved, would still be subject to the annual inspection requirement.

Cost of additional resource	Number of applications	Proportion/% of additional costs that can be recovered	Proportion/% of additional costs that will be a cost to the General Fund
£55,440	12 new and 12 renewals on average per year	50%	50%

- 1.17. Whilst the revised fees demonstrate the cost that the Council would incur, the fee income generated will not meet the initial cost of the resource required to undertake the action and it is expected that it will not fully cover the resource costs unless the number of new licensable properties increases significantly.
- 1.18. As the additional Private Sector Housing Officer post would only spend the equivalent of 50% of their time undertaking the HMO inspections and associated tasks, the remaining time would be utilised by the Private Sector Housing Team to support the other statutory functions of the service, utilising the 50% of General Fund contribution towards the post.

- 1.19. It is anticipated that creating a part-time post dedicated to HMO matters only is unlikely to be recruited to given the increasing demand for Private Sector Housing Officers across the sector and the lack of available officers.

3. Key Considerations

- 3.1 Fees must be set in accordance with Provision of Services Regulations 2009 and Local Government Association Guidance on locally set licensing fees – 2023 and be cost recovery only.

4. Other Options Considered

- 4.1 It was considered whether to keep the fees from the current financial year, however this would not represent full cost recovery and therefore not an option that was progressed.

5. Reasons for the Recommendations

- 5.1 At Full Council on 29 January 2026 the decision on Option 1 was deferred and an instruction given to Officers to consider an alternative fee structure based an enhanced level of enforcement. Officers have explored and fully costed this approach and now bring both options back to Full Council for its consideration.

6. Background Papers

- 1.1. Provision of Services Regulations 2009 - [The Provision of Services Regulations 2009](#)
- 1.2. Local Government Association Guidance on locally set licensing fees – 2023 – [LGA guidance on locally set licensing fees | Local Government Association](#)
- 6.3 [Fees and Charges Proposals 202627 Council.pdf](#)

7. Appendices

- 1.3. Appendix 1 - HMO licence Fees 2025/26
- 1.4. Appendix 2 – HMO fee calculations