

Agenda item	6
Report no	HLC/030/23

THE HIGHLAND COUNCIL

Committee: THE HIGHLAND LICENSING COMMITTEE

Date: 9 May 2023

Report title: Houses in multiple occupation need and supply assessment 2023

Report by: The Principal Solicitor – Regulatory Services

1. Purpose/Executive Summary

1.1 This report invites the Committee to consider an updated assessment of the need for and supply of houses in multiple occupation (“HMO”) in Highland undertaken by Community Services.

2. Recommendation

2.1 On the basis of Community Services’ assessment of current HMO need and supply, the Committee is invited to agree to maintain its position that no application for an HMO licence will be refused on the ground of overprovision under section 131A of the Housing (Scotland) Act 2006, there being no evidential basis on which to refuse on this ground.

The Committee is further invited to agree that this be subject to a further review in five years.

3. Background

3.1 Section 131A of the Housing (Scotland) Act 2006 allows local authorities to refuse to grant an HMO licence if they consider that there is (or, as a result of granting the licence, would be) overprovision of HMO in the locality in which the accommodation concerned is situated.

3.2 In considering whether to refuse to grant an HMO licence on this ground, the local authority must have regard to:

- whether there is an existing HMO licence in effect in respect of the accommodation;
- the views of the applicant and any occupant of the accommodation;
- the number and capacity of licensed HMOs in the locality, and
- the need for housing accommodation in the locality and the extent to which HMO accommodation is required to meet that need.

3.3 On 3 October 2017, the Highland Licensing Committee considered a report from the Council's Housing and Property Service which assessed, across the various areas of Highland, the number and capacity of licensed HMO, the need for housing accommodation and the extent to which HMO accommodation was required to meet that need.

3.4 The number and capacity of HMO (by reference to the number of occupants the licence permits) in 2017 were as follows.

2017:

AREA	3 to 5	6 to 10	11 to 20	21 to 30	31 to 50	51 to 99	100+	Grand Total
Badenoch and Strathspey	5	5	4	1	1		2	18
Caithness		1						1
Inverness	112	44	10	1	1			168
Lochaber	24	6	5	2				37
Nairn	1	2						3
Ross And Cromarty	5	10	3	3				21
Skye And Lochalsh	3	5	2	1		1		12
Sutherland	3	5		1				9
Grand Total	153	78	24	9	2	1	2	269

3.5 The 2017 assessment identified that

- HMO made up a small but important part of Highland's private housing stock
- Need and demand for shared housing, such as that provided by HMO, is considered to be higher in Inverness compared to other areas of Highland.
- HMO plays an important part in the supply of affordable housing and HMO provides flexible accommodation for single persons, including students and incoming workers – particularly in areas of economic growth and high housing demand with associated high rents.

- there was expected to be a continuing and increasing need and demand for HMO across Highland.

3.6 On the basis of this assessment, the Committee members were satisfied at that time that there was no evidential basis on which to consider that any particular area of Highland was overprovided with licensed HMO.

3.7 It was accordingly agreed that no application for an HMO licence would be refused under section 131A on the ground of overprovision. This was without prejudice, however, to the Committee's power to refuse an application on other statutory grounds (i.e. the suitability of the applicant or the suitability of the accommodation for use as an HMO). It was further agreed, however, that this would be reviewed on a five-yearly basis.

3.8 It was also agreed by the Committee that the Council would exercise its power under section 129A of the 2006 Act to refuse to consider licence applications for HMOs which required, and had not obtained, planning permission for use as an HMO, whether as a result of application of the Council's Supplementary Planning Policy/Development Guidelines on HMO (under which concentrations of HMO in Inverness City Centre and other localities of Highland are controlled and monitored), or for any other reason.

3.9 This was to ensure a joint approach to the licensing and planning of HMOs, as advocated in the Scottish Government Circular 2/2012 "Planning Control and Licensing".

4. HMO need and supply assessment 2023

4.1 In accordance with the Committee's decision in 2017 that the assessment of HMO need and supply in Highland would be reviewed on a five-yearly basis, Community Services have undertaken a review starting in 2022. Their 2023 assessment is set out at **Appendix 1** to this report.

4.2 Members will note from Tables 1 and 2 in the 2023 assessment that there has been only a small increase in the number of HMO in Highland since the 2017 assessment was carried out. The total number is currently 273, compared with 269 in 2017.

4.3 As was the case in 2017, the 2023 assessment concludes that given current and future housing needs, there is expected to be a continuing and increasing need and demand for shared housing, such as that provided by HMO, across Highland, particularly in Inverness city.

4.4 It is accordingly recommended that the Committee agree to maintain its current position that no application for an HMO licence will be refused on the ground of overprovision under section 131A of the 2006 Act, there being no evidential basis on which to refuse on this ground. Again, this will be without prejudice to the Committee's power to refuse an application on other relevant grounds, and should be subject to a further review in five years.

5. Implications

5.1 Not applicable.

Date: 5 April 2023

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Appendix 1 – Community Services' HMO need and supply assessment 2023

The Highland Council: Community Services

Need and Supply of Houses in Multiple Occupation (HMO) in Highland: March 2023

1 Introduction

- 1.1 The Highland Council developed Supplementary Planning Guidance for Houses in Multiple Occupation (HMO) in 2002, to ensure mixed and balanced communities, support their provision in appropriate locations and prevent the creation of concentrations in particular areas.
- 1.2 In bringing forward this approach to the determination of planning applications, the Council considered:
- The number and capacity of licensed HMO in the localities of Highland;
 - The need for housing accommodation in those localities; and
 - The extent to which HMO accommodation is required to meet that need.
- 1.4 This aims to ensure a coordinated approach to the licensing and planning of HMO which is as advocated by the Scottish Government.
- 1.5 Since 2002 the Council has reviewed its Supplementary Planning Guidance for Houses in Multiple Occupation (HMO), and also updated out Housing Need and Demand Assessment information relating to the provision of licensed HMO.

2 The Nature & Extent of HMO in Highland

- 2.1 A House in Multiple Occupation (HMO) is a house or a flat which is:
- occupied by three or more persons from three or more families; and
 - occupied by them as their only or main residence and
 - either a house, premises or a group of premises owned by the same person with shared basic amenities.
- 2.2 Houses in Multiple Occupation (HMO) consist of a variety of property types including: shared flats and houses; bedsits; staff accommodation; boarding houses; hotels or bed and breakfasts with permanent residents; some supported accommodation.
- 2.3 Research indicates that the demography of sharers at the national level consists of: young adults; single people on moderate incomes, including working adults; students, and those that are unemployed.
- 2.4 HMO make up a small but significant part of Highland's housing. There are currently 273 licensed HMO across Highland compared to 242 in 2002.

- 2.5 Table 1 shows the number of HMO broken down by their 'size' (the maximum number of occupants their licence covers). The majority are small. 146 out of 273 HMO are licenced to provide housing for 3-5 people.

Table 1 Number of Licensed HMO in Highland by Size (March 2023)

Maximum number of occupants covered by HMO Licence	Number of HMO
3-5	146
6-10	99
11-20	18
21-30	6
31-50	2
51 -99	1
100+	1
Total Number of HMO	273

- 2.6 The vast majority of HMO in Highland appear to be used to provide staff accommodation e.g. for hotels and hospitals.
- 2.7 Table 2 shows the spread of HMO across Highland. The majority are in Inverness where 105 provide shared housing for 3-5 people. The role of HMO in providing staff accommodation can be seen in areas such as Badenoch & Strathspey where one HMO is licensed to house over 100 occupants.

Table 2 Number of Licensed HMO by Area & Size

AREA	3 to 5	6 to 10	11 to 20	21 to 30	31 to 50	51 to 99	100+	Grand Total
Badenoch And Strathspey	7	8	4	1	1	0	1	22
Caithness	0	2	0	0	0	0	0	2
Inverness	105	63	7	3	1	0	0	179
Lochaber	16	3	2	1	0	0	0	22
Nairn	0	1	0	0	0	0	0	1
Ross And Cromarty	2	9	2	0	0	0	0	13
Skye And Lochalsh	8	6	2	1	0	1	0	18
Sutherland	8	7	1	0	0	0	0	16
Grand Total								273

3 The Need for Housing

- 3.1 Scottish Government Guidance defines 'housing need' as households who are lacking their own housing, or living in housing which is inadequate or unsuitable, and who are unlikely to be able to meet their needs in the housing market without some assistance.
- 3.2 It defines affordable housing as: "Housing of a reasonable quality that is affordable to people on modest incomes. In some places the market provides some or all of the affordable housing needed, while in other places it will be

necessary to make housing available at a cost below market value to meet an identified need.”

- 3.3 In other words, if more housing can be provided at an affordable cost by the private sector, fewer houses will need to be provided, or assisted, via the public subsidy.
- 3.4 The Councils most recent Housing Need and Demand Assessment (HNDA) assessed that, between 2019/2020 and 2023/2024, around 3,392 additional new below market rent houses would require to be provided to meet the need for housing because the market would be unlikely to meet those needs. This calculation takes into account factors such as the projected housing supply and housing costs (including the cost of renting privately). The vast majority of affordable housing (around 1,628 new affordable houses) is required in Inverness.
- 3.5 The pressure on social rented housing specifically is demonstrated in Table 3. It shows the number of households applying through Highland Housing Register (HHR) for social rented housing compared to the houses which became available to let in the past year.

Table 3 – Housing Need (Highland Housing Need & Demand Assessment 2020)

Housing Market Area	No. of HHR Applicants at 31 March 2022	No. of social rented lets in 2021/22	New Social rented houses required to meet need (2019/20-2023/24) (2020 HNDA)
Badenoch & Strathspey	719	903	158
Caithness	622	2767	83
Inverness	3507	6629	1114
Lochaber	1151	3300	217
Nairn	430	974	97
Ross & Cromarty	2022	5333	127
			194
			66
Skye & Lochalsh	592	1184	200
Sutherland	342	1122	60
Highland	9416	20969	2315

4 The role of HMO in meeting housing need

- 4.1 Private rented housing is a vital part of the housing market. It is particularly important for low income households as it enables them to access housing without the need to join a lengthy waiting list for social rented housing. The majority of HMO are part of Highland’s private rented housing stock.

- 4.2 It is widely recognised that as shared housing, HMO, are an important part of the supply of affordable housing. By providing lower cost housing, in some cases with the help of housing benefit, HMO can help to meet housing need and reduce the need for subsidised affordable housing.
- 4.3 Government Housing Needs Guidance recognises that there is a relationship between the 'unaffordability' of housing and the prevalence of shared housing such as HMO in an area. In other words, the more costly housing is in an area, the more likely it is that shared housing will be present.
- 4.4 Given the high housing costs in many parts of Highland alongside the predominance of low income industries and a lack of affordable housing, shared housing such as that provided by HMO, plays an important role in providing housing which people can afford. As such it provides an essential housing tenure for, predominately, young and single people and those on low incomes.
- 4.5 HMO also provide flexible accommodation for single persons, including students and incoming workers – particularly in areas of economic growth and high housing demand with associated high rents.
- 4.6 The Scottish Government recognises that HMO provide a vital source of accommodation, and expect planning authorities to ensure that an adequate supply is available to meet demand.
- 4.7 There is expected to be a continuing need and demand for HMO across Highland. The following factors contribute:
- There is projected to be a continuing growth in one person households. One person households are less likely to be able to afford housing.
 - Continuing economic growth is expected in many areas of Highland. There is also a desire and commitment to support strong economic growth. An adequate supply of housing is required to support this e.g. for young professionals and incoming workers.
 - Worker accommodation will continue to be required to support tourism and other low income industries.
 - Many households in Highland are on low incomes and therefore are less likely to be able to afford more expensive housing options.
 - The projected chronic lack of social rented housing is expected to persist into the future. It will therefore not be possible for many people on low incomes to be provided with social rented housing.
 - Changes in recent years through the Welfare Reform programme are expected to increase the need for shared housing. This is because single people aged between 25 to 35 years, in common with those aged under 25, can now only access the housing benefit 'shared room rate'. These households will be unlikely to continue to afford one bedroom properties

and may instead look to shared accommodation as an affordable housing option.

- 4.8 Need and demand for shared housing, such as that provided by HMO, is considered to be higher in Inverness compared to other areas of Highland. This is felt to be for a number of reasons in addition to those above, including that Inverness:
- has a comparatively young population - almost a quarter of the population are aged between 15 and 35 compared to around a fifth in the rest of Highland;
 - is an economic growth area with high levels of migration from in-coming workers;
 - has a significant student population;
 - has a shortage of housing resulting in high demand for private rented properties and associated high rents; and,
 - has a limited supply of small (e.g. 1 bedroomed) housing compared to larger, family sized housing.
- 4.9 The expected growth of the University of the Highlands and Islands (UHI) will bring with it an increase in the numbers of students and graduates living in Inverness city. This will result in an increased need and demand for all types of private rented housing including shared housing. An adequate supply of housing is required to support the successful growth of the UHI.
- 4.10 In addition there is a desire to further develop city centre living as part of the policy vision to regenerate and renew Inverness by bringing back, for example, empty properties into use as housing.

Specialist HMO accommodation

- 4.11 Of the 273 HMO in Highland, a small proportion (18) are currently contracted by the Council for use as temporary homeless accommodation.
- 4.12 In order to provide good quality and well managed accommodation, these HMO require to meet set additional standards. These standards also ensure that the Council meet the extended legislative demands of the Unsuitable Accommodation Order which effectively prevents stays of over 1 week in accommodation which does not have self-contained bathroom and kitchen facilities.
- 4.13 Council Officers provide an additional property management service. The Council's Temporary Accommodation Management Officers to help manage any issues and provide support. Residents are also able to access housing support if required.
- 4.14 The majority of Highland's temporary homeless accommodation is not provided by HMO but are self-contained housing e.g. houses and flats. This is in keeping with Highland Council's Rapid Rehousing Transition Plan which is submitted annually to the Scottish Government. Its objectives include maximising Council-

owned temporary accommodation, promoting shared tenancies within Council housing and providing secure tenancies to homeless applicants rather than lengthy stays in temporary or HMO accommodation.

- 4.15 Over 550 self-contained properties are either owned (some as shared tenancies) by or leased to the Council for use as temporary accommodation. As a result of market pressures and the lack of housing, the accommodation offered to the Council to provide temporary accommodation is limited.

5 Conclusions

- 5.1 Government guidance and best practice recommends that housing related policies should seek to ensure a good balance of housing to support the sustainability of communities and meet a variety of housing needs. In considering policies which will restrict or constrain the development of new HMO in particular localities, it is suggested that the following are considered.
- 5.2 HMO come in a variety of sizes and types and meet a variety of needs. They make up a small but important part of Highland's housing stock particularly in Inverness city.
- 5.3 Shared housing, such as that provided through HMO, can make housing affordable for those on low incomes.
- 5.4 There is a need to aim for a good balance of housing to support communities which function well. Large concentrations of HMO, along with other properties at the bottom end of the housing market, in a specific neighbourhood are more likely to cause problems. Larger HMO (i.e. the number of households accommodated) may be expected to have a larger impact on local communities than smaller HMO.
- 5.5 Restricting HMO in one area is likely to impact on housing in other localities e.g. on the use and supply of family sized housing in neighbouring residential areas.
- 5.6 Misperceptions can result in **all** HMO, regardless of size and scale, attracting local objections. The majority of HMO do not currently attract objections from the local community.
- 5.7 Ensuring a good spread of shared accommodation across areas where it is needed, requires there to be a good understanding of what HMO are and the role that shared housing plays in helping to meet housing needs, reduce pressure on social rented housing and help economic growth.
- 5.8 An inadequate supply of private housing which people can afford will lead to increased housing problems such as rising housing costs and homelessness.
- 5.9 Given the social, economic and demographic context, current and future housing needs, there is expected to be a continuing and increasing need and

demand for shared housing, such as that provided by HMO, across Highland particularly in Inverness city.