

St Andrews Public Policy Research Group

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# Housing St Andrews: Our Perspective on the HMO Issue.



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ST ANDREWS

Housing and Transport Unit

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# Foreword

Cllr Jane Ann Liston

There is no question that St Andrews is an attractive place in which to live. It is therefore not surprising that, at least since the mid-1970s, there have been pressures on its housing stock, whether from those owning second homes, rarely visited holiday accommodation or older people from elsewhere choosing to retire to the town. Add the council tenants' right-to-buy halving the number of affordable rented properties in addition to the desire of successive governments to quadruple the number of school leavers going to university resulting in an increased student population but without providing the wherewithal for additional accommodation, and it is unsurprising that there is a housing crisis in the town.

It is unfortunate, to say the least, that the official reaction has been to concentrate fire upon the student population, and to use legislation intended to protect tenants as a means of restricting who lives in the town. While the stated intention of providing accommodation for low and middle earners is laudable, it is difficult to see how clamping down upon the Houses in Multiple Occupancy, almost exclusively occupied by the student population, will free up such accommodation. The symbiosis whereby students lived in the flats over shops or pubs accessible only up steep staircases, with little or no garden and no bespoke car-parking, leaving permanent residents to enjoy the amenity of the edge-of-town houses has broken down under the town centre moratorium on HMOs. There is evidence that the results are counter-productive, firstly by driving students out of the town centre, where they would much rather be, into the residential areas and secondly by encouraging property owners to maximise the number of two-bedroom properties which slip below the HMO radar and also under-occupation, where 2 students occupy a property suitable for 3 or 4, resulting in even more houses becoming student flats and thus unavailable for general occupation. Ironically, the town centre moratorium has not rendered such properties more affordable to low and middle earners; rather, the reverse has

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happened.

The University of St Andrews, recognising the difficulty of accommodating a higher education establishment large enough to survive within a small town, is constructing more student accommodation, but a change in the HMO administration fee threatens to make it too expensive for many of the less well-off students who must either pay inflated rents for a flat with a locked bedroom, or live outwith the town and commute, thus missing out on an essential part of the much sought-after St Andrews experience. This cannot be right.

It is to be hoped that Fife Council will realise that their latest actions, apart from potentially damaging academic careers, are likely to hinder the very thing they wish to bring about, namely, more houses for the permanent population.

# Housing St Andrews: Our Perspective on the HMO Issue

## Executive Summary:

- The recent alterations Fife Council has made to the way in which HMO license fees are calculated, and the steep increases in their cost, is likely to have serious negative ramifications for tenants, especially students, in Fife.<sup>1</sup>

- While these fees are paid by the landlord, it is unlikely that many landlords will be able to simply absorb such a large increase in their financial burden, especially at such short notice, and the cost will inevitably be passed on to tenants.

- While Fife has a total of 1,099 HMOs, 924 of these are located within St Andrews, which means that the brunt of these fee hikes will be felt by students.<sup>2</sup> St Andrews University owns 332 of these properties and the total cost to the University, from HMO fees, will rise from £54,000 every 3 years, to £512,000 every 3 years (an increase of almost 800%).<sup>3</sup>

- The drastic increase specifically for David Russell Apartments (DRA) (which makes up approximately 85% of the new total cost for St Andrews University), created by the methodology change for calculating the fee, will make student halls of residence even more expensive and push more students out into the private rental market.<sup>4</sup>

- This will create greater demand and thus competition, which will drive up prices for accommodation across St Andrews. As a result, fewer students will be able to afford to study at the University of St Andrews, while others will be less likely to apply to live in a town which appears only to offer opportunity to the wealthy.

- The St Andrews PPRG recommends that, while an increase in HMO fees is required to adequately fund the service, this increase should be phased in

- 1. John Mills, *Houses in Multiple Occupation (HMO): Review of Charging Structure and Fees*, in 'Agenda and Papers for Meeting of Policy & Co-ordination Committee of 28 March 2019', Fife Council Website, 28<sup>th</sup> March 2019, pp. 70-79, <<https://online.fifedirect.org.uk/publications/index.cfm?fuseaction=publication.pop&pubid=4787F288-96E6-A3FF-3D5E7DE838F9F915>> [accessed 9<sup>th</sup> February 2020].
- 2. Vania Kennedy and John Mills, Fife Council Briefing note for Elected Members, 3<sup>rd</sup> February 2020, p. 1.
- 3. Fife Council, *FoI Request by St Andrews University*, referenced in 'Open Letter Against HMO charges', Google Docs, <<https://docs.google.com/forms/d/e/1FAIpQLScSeat7JLRUUVLmUIGocJ21bEhK119Ze56OeF64CElzl2gyQ/viewform?fbclid=IwAR3CPhGxKhUARQXwOIU6sEAUwO5jnsnpPEKkIT-ewKRltGbsWWjs79xFfsA>>, [accessed 9<sup>th</sup> February 2020].
- 4. Fife Council, *FoI Request by St Andrews University*, referenced in 'Open Letter Against HMO charges'.

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over time to minimise the immediate increase in financial burden for landlords and the increase in rent for tenants it will create.

- Furthermore, the manner in which fees are calculated for DRA should return to the same method as used for other student halls of residence or a dangerous precedent will be set – with little stopping the Council from rolling out the same methodology across other student halls of residence in St Andrews.

- These proposals will help ensure that HMO-related services are adequately funded in the long term, without having an immediate disproportionate negative effect on the student population of Fife.

## Houses in Multiple Occupation

HMOs (houses in multiple occupation) are defined as properties – with shared facilities - inhabited by at least 3 unrelated, full time tenants.<sup>5</sup> By sharing facilities, HMOs enable individuals (in St Andrews, principally students) to minimise their rental payments and share the cost of rent with several other individuals. Crucially, it is not just private tenancies, but student halls of residence which are classified as HMOs.<sup>6</sup> These classifications are accompanied by regulations and obligations which must be met by the landlord to ensure the safety and security of tenants. In order to operate an HMO, owners must first obtain a license (lasting for a minimum of 6 months and a maximum of three years) from local authorities, which helps to “ensure that accommodation is safe, well managed and of good quality”.<sup>7</sup> A fee is charged for this license and the funds this fee generates are used to carry out inspections and ensure landlords are meeting their obligations. While local authorities have the power to determine the fees which are charged for the license, they have an obligation to comply with the Statutory Guidance for Scottish Local Authorities, January 2012, when doing so. The income generated by this fee cannot be used to subsidise any other public service and, as such, can only be spent on services relating to HMOs.<sup>8</sup> Furthermore, the Statutory Guidance stipulates that:

“3.4.3 The Provision of Services Regulations 2009 require that fees charged in relation to a licensing regime must be reasonable and proportionate to, but not exceed the costs of all the procedures required to carry out this function.”<sup>9</sup>

### Changes to the License Fee for HMOs:

On Thursday, 28<sup>th</sup> March, 2019, Fife Council’s Policy and Co-ordination Committee approved recommendations which represent a radical increase in the cost of fees charged for HMO licenses and the removal of the flat rate.<sup>10</sup> Instead, a sliding scale was introduced whereby those HMOs with more tenants pay a smaller fee per tenant than those HMOs with fewer tenants. Using the figures opposite, an HMO with 3 tenants would pay approximately £493.34 per tenant, whereas an HMO catering to 500+

- 5. Scottish Government, *Policy: Private Renting, Regulation*, Scottish Government Website, <<https://www.gov.scot/policies/private-renting/regulation/>>, [accessed 9<sup>th</sup> February 2020].
- 6. Scottish Government, *Licensing of Houses in Multiple Occupation: Statutory Guidance for Scottish Local Authorities*, January 2012, p. 7 (Section 2.1.5) <<https://www.gov.scot/binaries/content/documents/govscot/publications/advice-and-guidance/2012/02/licensing-multiple-occupied-housing-statutory-guidance-for-scottish-local-authorities/documents/licensing-houses-multiple-occupation-statutory-guidance-scottish-local-authorities-pdf/govscot%3Adocument/Licensing%20of%20houses%2Bin%2Bmultiple%2Boccupation%2B%2Bstatutory%2Bguidance%2Bfor%2Bscottish%2Blocal%2Bauthorities.pdf>>, [accessed 9<sup>th</sup> February 2020].
- 7. Scottish Government, *Policy: Private Renting, Regulation*, Scottish Government Website
- 8. Scottish Government, *Licensing of Houses in Multiple Occupation: Statutory Guidance for Scottish Local Authorities*, January 2012, p. 20 (Section 3.4.4).
- 9. *Ibid.*, p. 20 (Section 3.4.3).
- 10. John Mills, *Houses in Multiple Occupation (HMO): Review of Charging Structure and Fees*, in ‘Agenda and Papers for Meeting of Policy & Co-ordination Committee of 28 March 2019’, Fife Council Website, 28<sup>th</sup> March 2019, pp. 70-79.

+ tenants would pay £15.08 per tenant. This is meant to reflect the economy of scale for HMO-related services when dealing with larger HMOs.

While these increases are large in scale, it is important to consider the Council's position on the matter. Fife Council argues that "HMO fees have remained static from at least 2006"<sup>11</sup> and this has resulted in HMO-related services requiring subsidies from the General Fund. However, because Statutory Guidance dictates that income may only be generated for HMO services by charging for the licenses, fees must increase. Additionally, Fife Council is preparing to have its total budget reduced by a further 1% this year – an action which will place even greater strain on public services at the local level.<sup>12</sup> As such, it is clear that to be sustainable in the long term, and to continue to improve HMO standards for tenants, a rise in HMO license fees is required. That being said, the St Andrews PPRG has a number of concerns relating to this policy and believes that, in its current form, it will have significant negative ramifications for the people of Fife.

No. Occupants	Current fee/ New Licence	Current fee/ Renewal	Proposed Fee/New Licence	%Fee Increase New	% Fee Increase Renewal
3-5	£1,300	£500	£1,480	14%	196%
6-10	£1,300	£500	£1,730	33%	246%
11-20	£1,300	£500	£2,080	60%	316%
21-50	£1,300	£500	£2,330	79%	366%
51-100	£1,300	£500	£2,580	98%	416%
101-200	£1,300	£500	£3,220	148%	544%
201-300	£1,300	£500	£4,440	242%	788%
301-400	£1,300	£500	£5,680	337%	1036%
401-500	£1,300	£500	£6,320	386%	1164%
500+	£1,300	£500	£7,540	480%	1408%

*Mills, John, Houses in Multiple Occupation (HMO): Review of Charging Structure and Fees, in 'Agenda and Papers for Meeting of Policy & Co-ordination Committee of 28 March 2019', Fife Council Website 28<sup>th</sup> March 2019, pp. 75 (Section 3.4).*

- 11. Ibid, p. 75 (Section 3.4).
- 12. Claire Warrander, *Fife Council co-leader warns of 'significant' cuts to local services unless there is rise in Holyrood funding*, The Courier Website, January 9<sup>th</sup> 2020. <<https://www.thecourier.co.uk/fp/news/local/fife/1066709/fife-council-co-leader-warns-of-significant-cuts-to-local-services-unless-there-is-rise-in-holyrood-funding/>>, [accessed 9<sup>th</sup> February 2020].

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## Potential Impact of the Fee Increase:

The implementation of this large fee increase causes a significant increase in the financial burden for HMO landlords. Despite their attempt to justify the cost of HMOs in relation to the price of rent, Fife Council must be aware that this fee increase is unlikely to be simply absorbed by landlords but will lead to increased rental fees for tenants. While Fife is home to a total of 1,099 HMOs, 924 of these are located within St Andrews, of which 332 are properties belonging to the University of St Andrews (the University).<sup>13</sup> As the vast majority of HMOs in Fife exist within St Andrews, it is clear that the primary group which will be affected by such increases will be students of the University of St Andrews. The issue of high accommodation costs has been highlighted by students and their representatives, on an annual basis, as one of the greatest hardships and sources of financial anxiety faced by students – with several campaigns attempting to put pressure on local authorities to address this issue.<sup>14</sup> The University's total expenditure on HMO fees will rise from £54,000 every 3 years to £512,000 every 3 years (an increase of almost 800%) and will inevitably lead to further increases in the cost of university accommodation.<sup>15</sup>

The most alarming aspect of this policy so far is the manner in which Fife Council has chosen to change the way in which the HMO fee for David Russell Apartments (DRA) is calculated. Instead of charging for the license per block, Fife Council has chosen to charge per flat. As a result, 85% of the total HMO fee increase for the University will stem from DRA alone.<sup>16</sup> This will force the University to increase the cost of accommodation for students within DRA (if not across all student halls of residence), and push more students into the private rental market, due to unaffordability. As a result, there will be greater demand and competition for a limited number of private HMOs, which will drive up prices for accommodation across St

- 13. Vania Kennedy and John Mills, Fife Council Briefing note for Elected Members, 3<sup>rd</sup> February 2020, p. 1.
- 14. The Saint. *Students Launch Campaign for Affordable Student Housing*. The Saint Website, November 21<sup>st</sup> 2019, <<http://www.thesaint-online.com/2019/11/students-launch-campaign-for-affordable-student-housing/>>, [accessed 9<sup>th</sup> February 2020].
- 15. Fife Council, *Fol Request by St Andrews University*, referenced in 'Open Letter Against HMO charges', Google Docs.
- 16. Tamara McWilliam, *Student's Association oppose Fife Council's "bizarre and irresponsible" HMO fee increase*, The Saint Website, February 5<sup>th</sup> 2020, <<http://www.thesaint-online.com/2020/02/students-association-oppose-fife-councils-bizarre-and-irresponsible-hmo-fee-increase/>>, [accessed 9<sup>th</sup> February 2020].

Andrews – an issue already worsened by the current freeze on new HMOs.  
17 Furthermore, this could lead to fewer students being able to afford to study in St Andrews, while others may be less likely to apply to a region which appears only to offer opportunity to the wealthy.

## Proposals:

Allowing this method of calculating the fee to remain sets a dangerous precedent, with little stopping Fife Council from rolling changes out across the rest of Fife's student halls of residence and further increasing accommodation charges for students. Therefore, Fife Council needs to present evidence to suggest that the inspection costs for DRA represents a sum amounting to nearly 85% of the nearly 800% increase in HMO fees for the University. If they cannot, in order to be in compliance with the Statutory Guidance, Fife Council must prove that such an increase is required to adequately fund HMO related services as a whole. If this is the case, we believe that the damage this will do to students across Fife is reason enough to calculate the fees for DRA in the same manner as other halls of residence and Fife Council should find alternative funding options for HMO services.

We would also recommend that rather than creating such a large increase in charges for landlords when they come to renew their HMO, a gradual increase should be phased in over time so landlords can make adequate provisions for HMOs of all sizes. A review made after their implementation is inadequate and has the potential to allow significant hardship to befall tenants within Fife, before a reduction is made.<sup>18</sup> Significant discounts for renewal (greater than the 10% currently offered to institutional providers) should also be considered for the University and possibly even all HMOs catering to students. Furthermore, such discounts should be opened up to the institutional providers of HMOs with a capacity exceeding 10 tenants, so that student halls of residence – when quantified in the standard manner – are eligible.<sup>19</sup> This could provide funding for HMO-related services, without overly penalising providers that are essential to tackle the issue of affordable student accommodation within St Andrews.

- 17. Leeza Clark, *St Andrews University 'doubtful' HMO cap will achieve balance and fair community*, The Courier Website, April 12<sup>th</sup> 2019, <<https://www.thecourier.co.uk/fp/news/local/fife/868821/st-andrews-university-doubtful-hmo-cap-will-achieve-balance-and-fair-community/>> [accessed 13<sup>th</sup> February 2020].
- 18. Vania Kennedy and John Mills, Fife Council Briefing note for Elected Members, 3<sup>rd</sup> February 2020, p. 2.
- 19. Mills, John, *Houses in Multiple Occupation (HMO): Review of Charging Structure and Fees*, in 'Agenda and Papers for Meeting of Policy & Co-ordination Committee of 28 March 2019', Fife Council Website 28<sup>th</sup> March 2019, pp. 76 (Section 3.7).

## Conclusion:

The St Andrews PPRG, like the University, is not opposed to fee increases for HMO licenses in principle, but the manner in which this policy has been implemented will result in rents for HMOs being increased across Fife and will have a disproportionate effect on students.<sup>20</sup> Part of Fife Council's role is to make Fife appealing for students who come and contribute significantly to the local economy – not to worsen the reality that many students are dissuaded to attend the University of St Andrews due to high accommodation and living costs. As such, fee increases should be gradually phased in to minimise the financial burden for tenants and landlords, the same methodology used for other student halls of residence should be used to calculate HMO fees for DRA and significant discounts should be available to those who provide accommodation for students. These proposals, if adopted, will help ensure that HMO-related services are adequately funded in the long term, without having a disproportionately negative effect on the student population of Fife.

• 20. St Andrews University, *Open Letter against HMO charges*, Google Docs, <<https://docs.google.com/forms/d/e/1FAIpQLScSeaTzLRRUVLmulGocj21bEhK1I9Ze56OeF64CEIzL2gyQ/viewform?fbclid=IwAR3CPHGxKhUArQXwOIU6sEAUwO5jsnpPEKkIT-ewKRItGbcWWjs79xFfsA>>, [accessed 9<sup>th</sup> February 2020].

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Fife Council, *FoI Request by St Andrews University*, referenced in 'Open Letter Against HMO charges', Google Docs, <<https://docs.google.com/forms/d/e/1FAIpQLScSeaTzJLRRUvLmuIGocJ21bEhK1I9Ze56OeF64CEllzL2gyQ/viewform?fbclid=IwAR3CPHGxKhUARQXwOIU6sEAUwO5JsnpPEKkIT-ewKRItGbcWWjs79xFfsA>>, [accessed 9<sup>th</sup> February 2020].

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Scottish Government, *Policy: Private Renting, Regulation*, Scottish Government Website, <<https://www.gov.scot/policies/private-renting/regulation/>>, [accessed 9<sup>th</sup> February 2020].

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