

REPORT TO:	Resources, Overview & Scrutiny Committee
DATE:	10 December 2025
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TITLE OF REPORT:	The Impact of HMOs in the Borough

1. Purpose of Report

1.1 This report provides the Resources, Overview & Scrutiny Committee with an update on the impacts of Houses in Multiple Occupation (HMOs) in the Borough and progress on implementing the Article 4 Direction scheduled to take effect in March 2026 (“the March 2026 Article 4 Direction”). This Direction removes permitted development rights for small HMOs in specified areas of the Borough. The report also sets out further recommendations regarding the investigation of extending Article 4 Direction coverage to those electoral wards not currently included.

2. Recommendations

2.1 That the Resources, Overview & Scrutiny Committee notes the contents of this report and supports further work to explore the potential extension of HMO Article 4 Direction coverage across the remainder of the Borough.

3. Background

3.1 Section 254 of the Housing Act 2004 defines a House in Multiple Occupation (HMO) as a property occupied by two or more households sharing basic living accommodation. Use of a dwellinghouse by up to six residents as a HMO falls within Use Class C4 of the Town and Country Planning (Use Classes) Order 1987 (as amended). This includes properties occupied by three to six individuals forming more than one household and sharing basic amenities. Class C4 typically covers “small” HMOs such as shared houses, student accommodation, and other co-living arrangements.

3.2 Under current planning regulations, planning permission is required for a property to operate as a HMO accommodating more than six people. However, permitted development rights currently allow a change of use from a dwellinghouse (Class C3) to a small HMO (Class C4), and vice versa, without planning permission.

3.3 The impact of HMOs in Hyndburn was reported to the Resources, Overview & Scrutiny Committee in October 2024. That report recognised that while HMOs provide an important source of housing for certain groups, they can also have adverse effects on sustainable and healthy communities. Hyndburn’s comparatively low property values have encouraged the purchase or rental of properties by agencies and companies providing specialist forms of accommodation, including:

- Properties purchased by Serco for use by immigrants and refugees;
- Properties rented for the accommodation of ex-offenders;
- Properties leased by private sector providers to house adults with learning difficulties or mental health needs;
- Properties rented by public and private organisations for the accommodation of children under the age of 18.

3.4 To address these concerns, the Council resolved in December 2024 to make a non-immediate Article 4 Direction. Article 4 Directions allow local planning authorities to remove certain permitted development rights. The Direction removes the automatic right to change from Class C3 (dwellinghouse) to Class C4 (small HMO), as otherwise permitted under Schedule 2, Part 3, Class L of the Town and Country Planning (General Permitted Development) (England) Order 2015.

3.5 Evidence prepared to support the March 2026 Article 4 Direction identified that some areas of the Borough had higher concentrations of HMOs, lower property values, and greater levels of deprivation. It was therefore recommended that permitted development rights be withdrawn within the nine most affected wards: Barnfield, Central, Church, Clayton-le-Moors, Peel, Netherton, Rishton, Spring Hill, and St Andrew's.

3.6 Non-immediate Article 4 Directions take effect 12 months after being made. As required by legislation, formal notification of the March 2026 Article 4 Direction was undertaken. A consultation period ran from 21 March to 2 May 2025, during which representations were invited from individuals, groups, and organisations with an interest.

3.7 In determining whether to confirm the Direction, the Council was required to consider all representations received. Three responses were submitted by members of the public (including one local councillor), along with three written responses from statutory consultees.

3.8 Following consideration of these representations, the Council confirmed the March 2026 Article 4 Direction on 17 November 2025. The Direction will take effect on 15 March 2026.

Next Steps

3.9 Concerns have been raised regarding the geographical scope of the March 2026 Article 4 Direction, with suggestions that it should apply across the entire Borough.

3.10 The *National Planning Policy Framework (NPPF)* states that Article 4 Directions should be applied in a measured and targeted manner, supported by robust evidence and restricted to the smallest area necessary. The *Planning Practice Guidance (PPG)* further emphasises that potential harm must be clearly evidenced, and that removing permitted development rights over wider areas requires strong justification.

- 3.11 There is no comprehensive system for identifying all HMOs, as landlords are not required to register properties with fewer than five occupants. The Housing Standards team has therefore undertaken work to refine Council Tax data and inspect properties to produce a more accurate dataset.
- 3.12 In October 2024, 509 HMOs (1,633 bed spaces) were identified across the Borough's 16 wards, with the highest concentrations in Barnfield, Central, Netherton, Peel, Church, Rishton, Spring Hill, and St Andrew's.
- 3.13 By October 2025, this number had reduced to 450, although the reduction is attributed to improved monitoring rather than an actual decline. Some properties initially classified as HMOs were subsequently identified as care or nursing homes.
- 3.14 The latest data from November 2025 records 484 HMOs.
- 3.15 A comparison of October 2024 and November 2025 figures is provided in Table 1.

Table 1: Number of HMOs by Ward (October 2024 vs November 2025)

Ward	Oct-24	Nov-25	Change
Altham	25	20	-5
Barnfield	58	50	-8
Baxenden	5	5	0
Central	52	38	-14
Church	61	55	-6
Clayton-le-Moors	22	22	0
Huncoat	17	13	-4
Immanuel	14	19	5
Milnshaw	24	16	-8
Netherton	27	31	4
Overton	18	18	0
Peel	58	58	0
Rishton	41	49	8
Spring Hill	49	48	-1
St Andrew's	32	34	2
St Oswald's	6	8	2
Total	509	484	-25

*Rows highlighted are those wards included within March 2026 article 4 direction

- 3.16 There is currently no evidence to indicate that HMO numbers have increased in wards not included in the March 2026 Article 4 Direction, which is consistent with the fact that the Direction has not yet taken effect. The nine affected wards continue to contain the highest numbers of HMOs overall.
- 3.17 Several neighbouring authorities have recently amended their approaches to HMOs. Notably, Chorley and Rossendale introduced immediate, borough-wide Article 4 Directions in September 2025, removing all permitted development rights for HMOs.

Table 2. HMO Article 4 Coverage in Lancashire, by District

Local Planning Authority	HMO Article 4 Direction	Coverage	Date
Burnley	Yes	Partial	October 2024
Chorley	Yes	Full	September 2025
Fylde	No		
Lancaster	Yes	Partial	November 2021
Pendle	No	No	
Preston	Yes	Partial*	February 2012
Ribble Valley	No	No	
Rossendale	No	Full	September 2025
South Ribble	No	No	
West Lancashire	Yes	Partial	December 2011
Wyre	No		
Blackburn with Darwen	Yes	Full	August 2023
Blackpool	Yes	Full	October 2022

*Consultation undertaken in Feb-Apr 2025 with recommendation to extend coverage.

3.18 A comparison of Chorley's evidence base with that of Hyndburn demonstrates that Hyndburn experiences a more acute issue. Chorley reported only 31 HMOs in August 2025, while Hyndburn also performs less favourably across indicators including deprivation, housing quality, house prices, and crime.

3.19 The evidence supporting the March 2026 Article 4 Direction focused solely on internal conditions within Hyndburn. It did not consider approaches taken elsewhere in Lancashire or benchmark thresholds used to justify Article 4 Directions in other districts or the wider North West.

3.20 It is therefore recommended that further work be undertaken to update and strengthen the evidence base underpinning the March 2026 Article 4 Direction, including comparative analysis of HMOs and Article 4 thresholds across relevant local authorities.

3.21 Should the evidence support the removal of permitted development rights for HMOs in the remaining wards of Altham, Baxenden, Huncoat, Immanuel, Milnshaw, Overton

and St Oswald's, then it is recommended that this be implemented through the making of a new Article 4 Direction as, whilst an existing Article 4 Direction can be modified, any existing Direction must first be cancelled.

- 3.22 Consideration would also need to be given to whether any Direction would be "non-immediate" or "immediate". Whilst an immediate Direction can withdraw permitted development rights straight away, guidance suggests that they should be made only where the development presents an immediate threat to local amenity or prejudices the proper planning of an area.
- 3.23 Where a local planning authority introduces an immediate Article 4 Direction, it may be liable to pay compensation arising from the withdrawal of permitted development rights. Compensation is limited to abortive expenditure or any other loss or damage directly attributable to the removal of those rights.
- 3.24 Following the confirmation of an Article 4 Direction, planning permission becomes required for the development of small Houses in Multiple Occupation (HMOs). Accordingly, an appropriate policy framework is necessary to support the assessment and determination of related planning applications.
- 3.25 The Council has prepared and adopted Supplementary Planning Guidance (SPG) on Residential Conversions and HMOs (June 2025). This SPG is a material consideration in the determination of planning applications.
- 3.26 However, the SPG does not form part of the statutory development plan and therefore does not hold the same weight as policies within the Core Strategy or the Development Management Development Plan Document (DPD).
- 3.27 The emerging Local Plan 2040 includes policies specifically relating to the development of HMOs in Hyndburn. Policy SP11 states that proposals for HMOs will only be supported where they maintain the prevailing character and setting of the surrounding area, are located within or within walking distance of town centres, and are well served by public transport, alongside meeting additional criteria. Once adopted, the Local Plan will afford this policy full weight in decision-making. Following adoption, the Council may also consider updating and adopting the existing SPG as a Supplementary Planning Document (SPD) to provide more detailed guidance in support of Policy SP11.

Children's Care Homes

- 3.28 As part of its work on HMOs, the Council, in June 2025, adopted the Children's Residential & Supported Accommodation SPG in tandem with the HMO SPG. This SPG outlines the policy basis for determining proposals to convert residential dwellings into children's care homes.
- 3.29 Since adoption, several planning applications for children's care homes have been refused due to conflicts with the SPG. Some of these refusals were subsequently appealed to the Planning Inspectorate. On 21 November 2025, two appeals were decided in favour of the applicants. While the Inspector acknowledged the SPG's

recent adoption, it appears to have carried limited weight in the decision-making process.

3.30 Currently, there are no specific development plan policies in Hyndburn that provide a framework for determining children's care home applications, and the emerging Local Plan under examination does not include policies in this area. Consequently, careful consideration will be required in assessing future applications for children's care homes in light of these appeal outcomes.

3.31 The Lancashire Children's Services Market Position Statement (April 2025) highlights ongoing concerns regarding the number and distribution of children's care homes across the county:

- Lancashire has the highest number of children's homes in England, accounting for 8% of all children's homes nationally, most operated by agency providers (330 of 347 as of March 2025).
- Despite provision exceeding local need by over four times, some Lancashire children are placed outside the county due to a lack of available local capacity.
- According to the Ofsted register (March 2025), 330 agency-registered children's homes can care for up to 980 children, yet only 149 Lancashire children were living in these homes within the county. Nearly 23% of children in agency homes were placed outside Lancashire, often because suitable local provision was already full with children from other authorities.
- The number of agency children's homes in Lancashire continues to grow, outpacing the national rate (a 54% increase between March 2023 and March 2025, compared to a 31% national increase).
- Fylde and Wyre have seen the largest growth, together accounting for 96 of the 330 agency homes in Lancashire.

4. Alternative Options considered and Reasons for Rejection

4.1 One alternative would be to take no further action. The March 2026 Article 4 Direction will come into effect on 15 March 2026, requiring planning permission for all HMO developments in the nine wards it covers.

4.2 Another option is to wait for the Article 4 Direction to take effect and monitor HMO numbers and locations in the borough over a 6–12 month period. This would enable the Council to assess the Direction's impact in the wards not covered and determine any further action if necessary.

5. Consultations

5.1 N/A

6. Implications

Financial implications (including any future financial commitments for the Council)	N/A
Legal and human rights implications	N/A
Assessment of risk	N/A
Equality and diversity implications <i>A Customer First Analysis should be completed in relation to policy decisions and should be attached as an appendix to the report.</i>	N/A

7. Local Government (Access to Information) Act 1985: List of Background Papers

7.1 [Cabinet Report, 04 December 2024, Houses in Multiple Occupation and Children's Care Homes](#)

8. Freedom of Information

8.1 The report does not contain exempt information under the Local Government Act 1972, Schedule 12A and all information can be disclosed under the Freedom of Information Act 2000.