



The Scottish Parliament
Pàrlamaid na h-Alba

Finance and Public Administration Committee

Ariane Burgess MSP
Convener
Local Government, Housing and Planning Committee

7 October 2024

Dear Ariane

Housing (Scotland) Bill

As you are aware, the remit of the Finance and Public Administration Committee (the Committee) includes scrutiny of Financial Memorandums (FMs) for Bills. As such, the Committee has been examining the estimated costs of the Housing (Scotland) Bill. According to the Bill's FM, estimated costs for the Scottish Administration, local authorities and other bodies, individuals and businesses, are expected to range between £16.874m and £27.248m in total for the first 3 years after the earliest commencement.

The Committee ran a call for views on the FM between 3 May and 4 June 2024 and received 21 responses, which have been published on the Committee's call for views website¹. The responses received to the Committee's consultation raise a number of concerns regarding the financial impacts of the Bill, primarily focusing on homelessness prevention duties and rent controls. Therefore, we wrote to the Scottish Government on 25 June² to request further information regarding the financial implications of these provisions. The Government's response, which the Committee received on 17 July³, stated that—

“the Financial Memorandum does not set out the future budget to support implementation of any changes following the completion of the Parliamentary passage of the Bill [...] The changes included within the Bill will require local authorities and the relevant bodies to work differently. Existing practices which currently require resource will need to be replaced with new approaches.”

In relation to homelessness prevention duties, the Minister for Housing confirmed, in his letter to the Committee, that these are based on recommendations from the Prevention Review Group, which themselves were based on consultation with over

¹ [Published responses for Housing \(Scotland\) Bill: Financial Memorandum - Scottish Parliament - Citizen Space](#)

² [Letter from the Convener to the Minister for Housing of 25 June 2024 \(parliament.scot\)](#)

³ [Letter from the Minister for Housing to the Convener of the Finance and Public Administration Committee, 17 July 2024 \(parliament.scot\)](#)

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108 organisations, including 20 local authorities, ALACHO⁴ and COSLA. Further consultation was undertaken as part of the policy development process, alongside a local authority survey on the resource implications of the proposed changes. The Minister's letter states that "the analysis of responses to the survey directly informed the approach set out in the Financial Memorandum", noting the Scottish Government's intention "to keep considerations relating to the homelessness prevention analysis as a live consideration as the Bill progresses through parliament particularly if/when stakeholders provide additional and robust evidence in support of alternative costings or which supports changes to the assumptions used."

However, evidence received by this Committee raised significant concerns that the staffing costs set out in the FM would not be sufficient to meet the resourcing required for additional demand and that the FM does not recognise the potential for increased workload not only for homelessness services, but also for other agencies which will receive referrals, such as Community Advice Services and Tenancy Support. The City of Edinburgh Council⁵, for example, estimates that, "if there was a 25% increase in presentations, an additional 42 employees would be required, at a cost of £1.9 m per year for internal staffing". This is compared to the figure stated in the FM, of £1.6 m per year for all 32 authorities.

Similar concerns were raised during the Social Justice and Social Security Committee's scrutiny of Part 5 and Part 6 of the Bill and we note that Committee's recommendation, in their report on the Bill⁶, that "the Scottish Government consults with stakeholders again and updates the FM ahead of the Stage 1 debate on the Bill as appropriate" and that "this updated FM should be provided at least two weeks prior to the completion of Stage 1 – scheduled for 29 November 2024". **We look forward to scrutinising these updated costs, alongside the Social Justice and Social Security Committee.**

The submissions received by the Committee raised further concerns regarding the financial impact of rent controls, and stakeholders noted that the increased workload and bureaucracy for local authorities to collect data from landlords have not been properly assessed in the FM. An area of particular focus amongst respondents to the Committee's call for views was the potential unintended consequences of the introduction of rent control areas.

Submissions highlighted that the uncertainty caused by the prospect of rent control measures is leading to some landlords exiting the market and to a potential loss of investment which will impact negatively on the available supply of residential accommodation. This will add pressure to homelessness services. Stakeholders asked for the potential impact on build-to-rent investment, as well as the potential for disinvestment from existing landlords to be assessed and incorporated as a potential cost associated with the introduction of the Bill.

In his response to the Committee's letter, the Minister states that "an assessment of the potential effects of rent controls on the sector, along with an assessment of

⁴ Association of Local Authority Chief Housing Officers

⁵ [Response 306190974 to Housing \(Scotland\) Bill: Financial Memorandum - Scottish Parliament - Citizen Space](#)

⁶ [Stage 1 Report on Housing \(Scotland\) Bill: Part 5 \(homelessness prevention\) and Part 6 \(other housing matters - fuel poverty\) \(parliament.scot\)](#)

potential cumulative impacts of rented sector reforms, has been carried out as part of the comprehensive Business and Regulatory Impact Assessment (BRIA) for the rented sector reform measures in the Housing (Scotland) Bill”, which would be published “shortly, along with the BRIA for the Bill.” He further explains that “rent control systems have sought to mitigate potential unintended consequences in a variety of ways which are intended to achieve an appropriate trade-off between the competing goals of stabilising rents and minimising any unintended consequences” and that their impact “needs to be considered in the round”. He goes on to highlight evidence that some landlords may be considering divesting from the sector in response to changes has been considered in the BRIA. We note, however, that the BRIA is yet to be published by the Scottish Government. **Given the potential impact of the Bill’s provisions on business, as highlighted in submissions received on the FM, it is imperative that the BRIA is published as soon as possible ahead of the Stage 1 debate. We would therefore welcome your Committee seeking clarity from the Scottish Government regarding when the BRIA will be published, given the Minister’s commitment to do so in his letter to us of 17 July.**

More recently, the Scottish Government committed, in its Programme for Government 2024-25, to lodge amendments that “will clearly set out how rent increases will be capped in areas where rent controls apply, in a way that provides certainty for tenants, landlords and investors”. We further understand that it is the Minister’s intention “to settle the Government’s position on the policy relating to section 9(3) of the Housing (Scotland) Bill in October” and that he will write to your Committee in due course “to describe how the Government intends to change section 9(3) to achieve this policy position”⁷.

In light of the evidence received and the remaining uncertainty concerning rent control measures in the Bill, the Committee does not currently consider it has a clear understanding of the associated costs of these provisions. We note that, should amendments to the Bill be brought forward at Stage 2, in a way that substantially alters the estimated costs and savings presented in the FM, a revised FM may be necessary under Standing Orders.

We would therefore encourage the Local Government, Housing and Planning Committee to pursue further detail from the Scottish Government on the full financial costs associated with the Bill’s provisions and to keep this Committee advised of any significant changes to the Bill and its financial implications.

Yours sincerely,

**Kenneth Gibson MSP
Convener
Finance and Public Administration Committee**

⁷ [Letter from the Minister for Housing on the Housing Scotland Bill \(parliament.scot\)](https://www.parliament.scot/Document/Minister-for-Housing-on-the-Housing-Scotland-Bill)