



The Scottish Parliament
Pàrlamaid na h-Alba

Finance and Public Administration Committee

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By email

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Dear Paul

Housing (Scotland) Bill

The Finance and Public Administration Committee (the Committee) is currently undertaking scrutiny of the Financial Memorandum (FM) for the Housing (Scotland) Bill. As part of its scrutiny, 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 submissions received raise concerns regarding the financial impact of the Bill, particularly in relation to costs relating to homelessness prevention duties and rent control areas, which stakeholders state have been significantly underestimated.

Homelessness prevention

Submissions received by the Committee express general support for the principles underpinning homelessness prevention duties, however, highlight that "the resource requirements associated with this have not been adequately reflected in the FM and that the estimated costs provided significantly under-estimate the cost of effective

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

implementation”². More specifically, councils expressed concern that the FM significantly underestimates the staffing required to resource the proposed changes. The City of Edinburgh Council, 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. Such concerns were echoed by other local authorities, which overwhelmingly agreed that the staffing costs set out in the FM would not be sufficient to meet the resourcing required for additional demand. In addition, they consider 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.

Stakeholders also argued that the FM may underestimate the cost of effective implementation of the ‘Ask and Act’ Duty³ and the number of referrals to local authority homelessness teams. Concerns were raised in written evidence that, should other bodies not have the adequate training and staff resource, cases will simply be referred to councils, further exacerbating pressure on their budgets. Both COSLA and the Chartered Institute of Housing (CIH) called for further cost analysis to be undertaken in relation to the homelessness and ‘Ask and Act’ provisions to enable an accurate assessment of costs to local authorities. CIH noted that the approach set out in the Bill may lead to better outcomes for individuals, however, “this will require recruiting new staff, upskilling existing employees, upgrading IT systems, coordinating data and close monitoring of prevention activities and outcomes” for it to be effective. They further highlighted a lack of detail in the Bill and FM on what ‘Ask and Act’ duties might include and how these will be monitored and reported on. Stakeholders, including CIH and Shelter Scotland, further warned that the lack of detail on the ‘Ask and Act’ element of the homelessness prevention duty may mean that the duty becomes a requirement to refer by default, “‘Ask and Act’ will in practice become ‘Ask and Refer’”⁴.

In light of the concerns raised, that costs on local authorities associated with proposed homelessness prevention duties may have been significantly underestimated, the Committee seeks clarification on—

- **how the estimates in the FM have taken into consideration the views provided by local authorities during consultations preceding the introduction of the Bill, and**
- **how the Scottish Government expects these increased costs to be met, and by whom.**

Rent control areas

Significant concerns were raised in written evidence regarding the financial impact of rent controls. Stakeholders noted that the increased workload and bureaucracy for local authorities to collect data from landlords have not been properly assessed in

² COSLA submission

³ The Bill proposes to place a duty on relevant bodies, such as local authorities, health boards and the police, to ask if an individual is homeless or at risk of homelessness, and to take action if they are.

⁴ Shelter Scotland submission

the FM and COSLA stated that “at this stage, our member councils are simply not geared up to manage rent controls locally or act in an enforcement capacity”. The City of Edinburgh Council, in their submission, called for “additional guidance and more detailed information on the implementation of rent control areas (such as data collection, data storage, ongoing regulation activities, enforcement, GDPR considerations etc)”. The Council further stated that data will need to be collected and assessed from the whole of the private rented sector within the local authority (rather than a ‘hotspot’, as set out in the FM) to enable a robust assessment of the sector, which would enable the Council to make the case for the implementation of rent controls and to rebut challenges faced from various parties.

Stakeholders questioned the suggestion, in the FM, that detailed analysis of data would only cover certain localities within a local authority area, may only include a sample of landlords and be carried out every five years. It was argued that this would “not result in robust data being collated to support a significant policy change such as a rent cap”⁵.

A number of submissions highlighted that the FM cost modelling covers scenarios of a 2% to 10% rent cap, however, the Bill in its current format allows for rents to be frozen within rent control areas. The 0% increase scenario does not appear to have been costed in the FM. Submissions also highlight remaining uncertainty regarding inflationary uplifts and any cost recovery that may be permitted to landlords as a result of any repair/maintenance/upgrade expenditure and fluctuating mortgage rates.

The Committee seeks further information from the Scottish Government on what support will be provided to local authorities to enable them to undertake detailed assessments of the private rented sector for the purposes of designating and managing rent control areas.

Unintended consequences

An area of significant concern amongst respondents to the Committee’s call for views was the potential unintended consequences of the introduction of rent control areas. Stakeholders highlighted that, the uncertainty caused by the prospect of rent control measures, is leading to some landlords exiting the market and to potential loss of investment. Several submissions quoted evidence from sector experts Rettie, which states that the build to let market in Scotland is becoming “unattractive”, with £3.2 billion of investment being “on hold” or “at risk”. The submissions received by the Committee warn that the loss of residential accommodation will only increase pressure on homelessness services and the social housing sector and stakeholders asked for “the potential impact on Buy-to-rent investment both in terms of financial value and duration”, 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.

The Committee seeks the Scottish Government’s reflections on the issues raised in evidence in relation to the potential loss of investment arising as an

⁵ Chartered Institute of Housing submission

unintended consequence of the Bill and would welcome further information on what assessment the Scottish Government has undertaken of the financial impact of a potential downturn in the private rented sector.

We would welcome a response by **Friday, 26 July 2024**.

I am copying this letter to the Convener of the Local Government, Housing and Planning Committee for their information.

Yours sincerely

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