



OFFICIAL REPORT
AITHISG OIFIGEIL

DRAFT

Local Government, Housing and Planning Committee

Tuesday 20 February 2024

Session 6



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Pàrlamaid na h-Alba

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Tuesday 20 February 2024

CONTENTS

	Col.
INTERESTS	1
DECISION ON TAKING BUSINESS IN PRIVATE	2
HOUSING TO 2040	3

LOCAL GOVERNMENT, HOUSING AND PLANNING COMMITTEE
6th Meeting 2024, Session 6

CONVENER

*Ariane Burgess (Highlands and Islands) (Green)

DEPUTY CONVENER

*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

COMMITTEE MEMBERS

Miles Briggs (Lothian) (Con)

*Stephanie Callaghan (Uddingston and Bellshill) (SNP)

*Pam Gosal (West Scotland) (Con)

*Mark Griffin (Central Scotland) (Lab)

*Marie McNair (Clydebank and Milngavie) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

John Blackwood (Scottish Association of Landlords)

Michael Cameron (Scottish Housing Regulator)

Councillor Maureen Chalmers (Convention of Scottish Local Authorities)

Callum Chomczuk (Chartered Institute of Housing)

John Mills (Association of Local Authority Chief Housing Officers)

Colin Stewart (North of Scotland Regional Network of Tenants and Residents)

Sally Thomas (Scottish Federation of Housing Associations)

Brian Whittle (South Scotland) (Con) (Committee Substitute)

Jane Wood (Homes for Scotland)

CLERK TO THE COMMITTEE

Euan Donald

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament

Local Government, Housing and Planning Committee

Tuesday 20 February 2024

[The Convener opened the meeting at 09:32]

Interests

The Convener (Ariane Burgess): Good morning, and welcome to the sixth meeting in 2024 of the Local Government, Housing and Planning Committee. I remind all members and witnesses to ensure that their devices are on silent.

We have received apologies from Miles Briggs, and Brian Whittle joins us as a substitute member. Stephanie Callaghan is joining us online.

As this is Brian Whittle's first time attending a meeting of the committee, under the first item on our agenda, I invite him to declare any relevant interests.

Brian Whittle (South Scotland) (Con): I have nothing to declare.

Decision on Taking Business in Private

09:32

The Convener: The second item on our agenda is to decide whether to take items 4 and 5 in private. Do members agree to do so?

Members *indicated agreement.*

Housing to 2040

09:32

The Convener: The third item on our agenda is a round-table evidence-taking session on the “Housing to 2040” strategy. We are joined by John Blackwood, the chief executive of the Scottish Association of Landlords; Michael Cameron, the chief executive of the Scottish Housing Regulator; Maureen Chalmers, community wellbeing spokesperson for the Convention of Scottish Local Authorities; Callum Chomczuk, national director for Scotland of the Chartered Institute of Housing; Sally Thomas, chief executive of the Scottish Federation of Housing Associations; John Mills, co-chair of the Association of Local Authority Chief Housing Officers; and Jane Wood, chief executive of Homes for Scotland.

I welcome our witnesses to the meeting. To begin our conversation, I invite everyone to briefly introduce themselves. I will begin. I am the convener of the committee and an MSP for the Highlands and Islands.

Sally Thomas (Scottish Federation of Housing Associations): I am the chief executive of the Scottish Federation of Housing Associations.

Mark Griffin (Central Scotland) (Lab): I am an MSP for Central Scotland and a member of the committee.

John Mills (Association of Local Authority Chief Housing Officers): I am the co-chair of ALACHO and head of housing at Fife Council.

Pam Gosal (West Scotland) (Con): I am an MSP for the West Scotland region.

Councillor Maureen Chalmers (Convention of Scottish Local Authorities): I am a councillor in South Lanarkshire and COSLA’s community wellbeing spokesperson.

Brian Whittle: I am an MSP for South Scotland.

John Blackwood (Scottish Association of Landlords): I am the chief executive of the Scottish Association of Landlords.

Callum Chomczuk (Chartered Institute of Housing): I am the national director of the Chartered Institute of Housing Scotland.

Marie McNair (Clydebank and Milngavie) (SNP): I am the MSP for the Clydebank and Milngavie constituency.

Michael Cameron (Scottish Housing Regulator): I am the chief executive of the Scottish Housing Regulator.

Jane Wood (Homes for Scotland): I am the chief executive of Homes for Scotland.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): I am the MSP for Kilmarnock and Irvine Valley.

The Convener: Thank you. We will now turn to questions. Please indicate to me if you would like to respond to a member’s question or to something that somebody else said. The intention is that, as far as we can manage, this should be a free-flowing conversation, although we have questions to lead the conversation. Sometimes you might not get to respond to a specific question, but you can tuck your response into a comment that you make at another time. Do not feel that you need to respond to every question—there might be things that are more pertinent to some of you than to others. That said, my initial question is an overarching one that is intended to allow a discussion of the big picture, so it would be good to hear from you all on this one.

It is great that we are all here to talk about the strategy in “Housing to 2040” and to do a bit of a review and a check-up on where we are, and it is great to have all of you in the room, because your organisations have been involved in setting the direction of the strategy. Obviously, there has been an intractable long-term problem with housing—it is not just a problem that we are facing now; it has been a problem for decades. Across the United Kingdom, since the first and second world wars, we have been trying to tackle the issue of getting affordable housing into the mix. It is a long-term problem, and it will be interesting to hear where you think we are now.

In that regard, what is your view of the high-level vision for housing set out in the “Housing to 2040” policy document? Is it still relevant, or does it need to be amended in any way in light of the changed economic context since 2021?

Callum Chomczuk: “Housing to 2040” was a fantastic vision document for the sector. It was appropriate that it set out a long-term vision for Scotland’s housing system by looking at addressing the cost of housing and building better-quality homes and more homes. There is nothing in that vision that anyone would disagree with, but the challenge is the delivery. It was a vision document; it did not have an implementation plan, it had no funding behind it and it did not set out timescales either for the next 20 years or for the five years of the current session of Parliament. That is where it falls down. However, we do not need to go back and unpick the housing to 2040 strategy; we need to focus on what we can deliver in this parliamentary session.

Fundamentally, the biggest problem that we face in this session is a lack of supply in general

and a lack of social supply. We have been facing challenges since 2021, and the most recent budget cuts—which I know we will get into later—have exacerbated a pretty devastating situation. We all want there to be higher-quality homes and greater supply. The “Housing to 2040” document sets out that vision, but what we need to see now is delivery and, fundamentally, money behind that vision.

The Convener: That is helpful. It is great that you have already progressed the conversation into the area of delivery, so, when others respond, it would be good if they could give us their thoughts on strategic challenges such as the ones that Callum Chomczuk has indicated, including challenges for councils, as well as anything else that they want to say in relation to implementing the vision.

John Mills: The sector absolutely welcomed the 2040 vision because it represented the Government and other political parties saying that they will keep to the commitments, no matter what. It was the first long-term vision over a 20-year horizon that we had seen with regard to increasing housing supply and eradicating homelessness in Scotland. It is true that that commitment is still in place, but, in the past few years, we have suffered strong headwinds through the pandemic and, now, through the financial situation.

I agree with Callum Chomczuk that, for councils, the issue is about surviving the next two or three years of intensive housing and homelessness pressures from a variety of sources, including not just the numbers of people in temporary accommodation, which are at a record level, but resettlement exercises such as those involving providing homes for Ukrainians and the asylum seeker dispersal.

The recent red-amber-green analysis that ALACHO carried out on behalf of the sector showed that about 14 or 15 local authorities are moving towards a housing emergency. Taking all that together, that tells us that there must be a focus on the next two to three years, while we keep faith with the longer-term vision.

Jane Wood: The long-term vision is good. One of the challenges that we face with the delivery and implementation of the ambitions of the housing strategy is that it has very little flex and does not respond to the context that we are operating in. The context that we are in has been a long time coming. We have seen the housing supply numbers fall since 2008, we have different economic conditions now and we have different regulations and policies coming through, and I do not think that we understand the unintended consequences of all that on the housing supply for the Scottish population. We are not reacting at pace.

We welcome the ability to work closely with the Government, but we would welcome a greater focus on understanding and breaking down the barriers that exist. Housing is a complex issue, and the work that needs to be done might involve investment in the planning system, identifying the policies that are perhaps stopping housing supply and understanding the issues around rural builds and what we need to do economically in that regard. We need to produce a short-term and mid-term plan in relation to where we are with the housing crisis and the fall in trajectory, because it does not feel like there is anything on the table at the moment that will increase housing supply. That must be a priority for the housing to 2040 strategy.

It would be good to understand a bit more about the resource that is being put into the strategy, because it is a big complex plan. We act as advisers and are there to offer support, but we want to understand the resource that the Government is putting in to support the strategy, because a lot of chunky work needs to be done.

The Convener: I should just point out that you do not have to operate your microphones yourselves—we will do that for you. It is one less thing to think about.

Sally Thomas: I will start off by saying that the “Housing to 2040” document is a hugely admirable piece of work that sets Scotland ahead of the rest of the UK in terms of housing policy and vision. It was groundbreaking in that sense.

Unfortunately, however, the strategy is unravelling. That unravelling started with the Covid pandemic and continued as a result of the cost of living crisis; the inflationary pressures coming out of Covid; Brexit, which did not help; and the ongoing increase in expectation with regard to standards and the quality of homes—which is not necessarily a bad thing, but it has a cost implication. Further, the hammer came down, as it were, with the 26 per cent budget cut that the affordable housing supply programme received in the budget that was announced before Christmas, which exacerbates the previous year’s cut and means that, over those two years, we are looking at an overall cut of around 50 per cent in real terms.

We have gone from Scotland being at the leading edge, in the vanguard, with a vision—which still stands, for the most part, despite the challenges that we know are there—to the point where we are really struggling to make the system work in terms of the housing that the people of Scotland need and deserve.

John Blackwood: On behalf of the private rented sector, I want to say that we very much support and welcome the “Housing to 2040”

vision; indeed, the Scottish Association of Landlords has incorporated it into its own strategy.

In supporting private landlords and letting agents, one of the things that we are concerned about is future investment in the sector and how the private rented sector can not only survive but thrive in order to provide the many homes that Scotland will need. From our research, we estimate that, in the past year alone, the private rented sector could have lost 22,000 properties. That is quite catastrophic. Further, some 66 per cent of our members say that, over the next five years, they intend to disinvest in and exit the sector.

We need to think about who is going to be providing private rented accommodation in the future, how we can support them and what we can do within the strategy to encourage new investment and encourage those who are providing good homes for people to live in at the moment to continue to do so. That issue of future investment is one of the main challenges that we think the housing to 2040 strategy faces.

09:45

Councillor Chalmers: Many people have already made the points that I would make. There is a housing emergency across many local authorities in Scotland as a result of the situation with the supply of housing, and the proposed cuts to the affordable housing supply programme budget will mean fewer homes, even though 250,000 people are waiting for them. That is one of the big challenges that local government is dealing with right now.

There is a need to realign the Scottish Government's housing and homelessness policy with that budget decision and the ethos of the programme. The disconnect between the Scottish Government's housing policy, the current economic climate, local government finances and the ever-increasing level of demand for local authority social housing means that more local authorities could declare homelessness emergencies.

Heriot-Watt University has predicted that homelessness will rise by a third in the next couple of years, and we fear that the homelessness statistics due at the end of this month will show a serious increase. We are concerned about all of that, and we are also concerned about the need to bring policies together to ensure that we can achieve what we need to achieve.

My final point is about human protection schemes and the need for coherence across the schemes being led at UK level and between what the UK Government is doing and what the Scottish Government is doing across all such schemes.

That coherence would make it a wee bit easier for us to work at local government level to ensure that all of our guests who arrive in Scotland have the opportunity to access good housing.

The Convener: I take it from those responses that, in general, you are all tremendously supportive of the vision, but there are concerns about what comes in behind to support it, and that some of the things that we have come up against in previous years, such as Covid, have prevented us from rolling it out. It is good to hear that the vision still stands, but I hear the views about the importance of how we make it happen and the need to give it a bit of a review.

I call Pam Gosal.

Pam Gosal: Jane Wood talked about understanding and breaking down the barriers, and mentioned the issue of planning. We all know that Scotland is facing a housing shortage at the moment, and that, therefore, critical action needs to be taken, especially in our planning system. Despite a drop in applications for major housing developments as well as for local housing developments, application process times are far exceeding the statutory timeframe. On top of that, the Scottish Government announced a 43 per cent reduction in the planning budget. What actions can be taken to implement meaningful change as quickly as possible, so that Scotland's people have the homes that they need and deserve?

Jane Wood: Thank you for giving me an opportunity to talk about planning, which is one of the issues that our members consider to be key.

There are multiple areas within planning—there is local planning, there is the planning regime and so on—and I think that we need a systemic approach to the issue. For decades, there has been underinvestment in planning, and the problem that we face has been a long time coming.

We have just conducted a Scotland-wide housing needs survey, which many of you might have seen. It identifies that local development plans are not addressing housing needs and that we do not understand the true housing needs across our country. Our survey, which spoke to 13,000 representative people, shows that we are looking at a 28 per cent deficit in housing need compared to what we are accounting for through local development plans.

One solution that I would propose—I think that that is what Pam Gosal is asking for—is to ensure that we collect contextual data and evidence about the problem that we are trying to solve. That is important. We commissioned this research to support local authorities and Government by giving them data that we felt was contextual and relevant.

The second thing to bear in mind is that there can be some short-term solutions. From what I was told when I asked the Minister for Local Government Empowerment and Planning about the 43 per cent drop in the planning budget that Pam Gosal mentioned, I understand that it arises from the digitisation of the planning system. That is a concern at a time when much evidence shows that the planning system is under-resourced and we have very few planners coming through as graduates, so the profession is not able to meet the required capacity and, as a result, local authorities are struggling.

At the local level, the issues with the planning applications that Pam Gosal referred to are having an immediate impact on housing numbers, because the applications are taking too long. We need to be clear about the broader impact of the delay in planning applications. Small and medium-sized building companies are critical to delivering the houses that we need—especially in rural areas, as we see in the rural action plan—but if one of those companies that was anticipating a 12-week planning application process ends up with a 54-week one, it will run into problems, given the up-front capital that it will have to invest. That will not be a sustainable position in terms of its business model.

For many people, it is becoming more and more difficult to make planning applications, because of the cost implications and the time that it takes. To go back to what Mr Blackwood said earlier, I think that the planning system is making the sector difficult to operate in. Our members are saying to us that, if the planning system is not sorted out, the situation will become more difficult, and they are asking why they should invest in Scotland if the system is just not going to work.

The solutions involve immediate short-term investment and perhaps some exemptions. The issue of vacant and derelict land needs to be considered, so that we can perhaps identify ways of enabling more brownfield land to be built on. There are a number of solutions that we think would create a surge of capacity in planning, and we have already put them to Government.

Pam Gosal: Maureen Chalmers, you talked about the disconnect between budgets and demand and homelessness. Do you have anything to say in response to my question on planning? Is there a disconnect with budgets or is there a disconnect with delivery and understanding who the customer is?

Councillor Chalmers: Over the past few years, because local authorities have been trying to protect budgets for education, social work and other key services, areas such as planning are where savings have been found. On top of that,

we had the pandemic and we now face all the current challenges that we have talked about.

This is, at the local level, being recognised as an issue. Therefore, we have just set up a housing special interest group within COSLA, in recognition of the fact that local government needs to bring together all the key players, not just housing folk and the elected members who lead in housing, but people from planning. That group, which has people from ALACHO as its professional advisers, now involves planners, and we will bring in people from health and social care, too, as they are also key players. The group, which has just had its first meeting, enables senior councillors to come together with a wider set of advisers to bring all those issues to the table and get different people's perspectives on solutions to them.

Further, the Minister for Housing, with whom I chair the homelessness prevention and strategy group, has set up a ministerial oversight group, and we are going to make sure that it and the housing special interest group connect to try to work through some of those big, chunky issues together. We are trying to find the way forward because we recognise that there is an issue.

Pam Gosal: If no one has anything else to add, I will move to my next question.

Callum Chomczuk spoke about the lack of social housing and of quality housing. Having been fortunate enough to speak to 31 out of the 32 local authorities, I know that there is growing demand for accessible housing. Further, we know that the demographic is set to change with regard to our ageing population, and freedom of information requests by the Scottish Conservatives have revealed that there are around 40,000 disabled people on the social housing waiting list. To what extent has the Scottish Government adequately balanced the need to address short-term housing problems against long-term housing priorities, and do any priorities in that respect need to change?

Callum Chomczuk: That is an excellent question. There is, as Sally Thomas mentioned earlier, a perpetual conflict around the supply of homes and the quality of homes that we want to build. We want higher standards of homes; we are ambitious for tenants, and tenants are ambitious for themselves; and landlords, too, want the highest possible quality of homes that they can get. We are focused on providing more accessible homes and more net zero homes but, fundamentally, we need more homes, so we need to be able to do more than one thing at a time.

Right now, the crisis is with supply. We can see the trends in the figures for people becoming homeless—indeed, we have mentioned that

already, and we will probably mention it continually. Further, we see the length of the waiting lists and know what impact the budget cuts will have on future supply chains. We need to invest to deal with that, but you are absolutely right to say that we need to be mindful of the standard of the homes that we are building, and I think that that needs to be prioritised by the Government in this parliamentary session.

As was said earlier, “Housing to 2040” is a hugely ambitious document that sets out a number of things that we all want to see in the housing system. However, it is not possible to do all of those things at the same time. That is the fundamental position that we are in. The Chartered Institute of Housing and probably others across the sector believe that there needs to be a sense of prioritisation of what we want the sector to achieve in the next few years. We need high-standard homes and more wheelchair-accessible homes, so that people with disabilities can live in a home that is suited to their needs—quite frankly, it is a failure of Government and of public policy if people are in inappropriate housing—but we also need to build more homes.

That will involve difficult choices, and not just in the housing sphere. If other parts of the public sector need to be compromised to deliver on housing, that is a political decision that can be made, but what we are saying is that we need to build more homes, more accessible homes and more zero-carbon homes. The purpose of the housing strategy is to ensure that the priorities are set out, along with a pathway to deliver on them.

Pam Gosal: John Mills, do you want to come in at this point? You mentioned that councils—most of which, as I have said, I have spoken to—will have a lot to deal with over the next two to three years.

John Mills: In my part of Scotland—that is, Fife, Tayside and the south-east—we have conducted local housing need and demand assessments. As part of that process, we carried out wheelchair needs assessments in Fife and Edinburgh, which showed a significant shortfall in terms of expressed need and available supply.

In the past year in Fife, we have through the local housing strategy doubled our quota for wheelchair-accessible housing. However, only local authorities and housing associations are building bungalows, which are the typical type of wheelchair-accessible house. We need that to happen across all tenures, so that people have a choice to buy as well as rent, but not enough of those properties are being built, and the proposed cut in the affordable housing programme will probably slow down that build even further. We are aware of the need, and we need to keep building those houses at the level of probably

about 10 per cent of our programme over the next 10 to 20 years to try to meet some of it.

Pam Gosal: Sally Thomas, would you like to add anything?

Sally Thomas: I will add some facts and figures.

The “Housing to 2040” document set out that 61,000 people needed adaptations to their homes for the reasons that you have highlighted. However, that figure was based on a 2018 report by the Equality and Human Rights Commission, which references Scottish Government work from 2015. All of that makes it obvious that we are way out of date on this, and the figures will now be much higher; for a start, we know that at least 40,000 people of the 250,000 people on the waiting list have disabilities.

From all of that, we conclude, first, that need will have increased and, secondly, that we need a single national cross-tenure framework for dealing with adaptations and accessible housing. Finally, it all means that we need much more social housing to deal with the numbers of people who need housing and the numbers of people who need accessible housing.

The Convener: I will follow up that discussion with a couple of questions, the first of which is a broad one that picks up on the issue of balance. I am interested to hear people’s reflections on the extent to which the Scottish Government is adequately balancing the need to address the short-term housing problems that we have heard about against the longer-term housing policy aims. Do any priorities need to change?

John Mills: ALACHO believes that there must be an absolute focus on the next one to three years, which will involve boosting the affordable housing programme, not cutting it. I know that money is tight across Scotland and the UK, but developing social housing actually tackles a number of priority areas for the Government, including poverty, child poverty and homelessness, and also addresses the needs of the resettlement schemes that we are running on behalf of the UK and Scottish Governments. Tackling those issues demands that the Government front-load the programme over the next three years rather than reducing it. Fundamentally, the thinking needs to shift around trying to get as many homes as possible built—or indeed bought, given the big role that acquisitions will play in the plan over the next three years.

10:00

The Convener: The committee has heard a lot about the issue of workforce in relation to the need to get housing built. Even if the money to build the

houses were there, would we have the people to build them?

John Mills: I am sure that Callum Chomczuk will come in on this issue, too, but I can tell you that there has been a shortage in that workforce since the pandemic for a number of reasons, including the fact that it is ageing and people are retiring, taking early retirement or moving into other types of work. The situation has gradually improved over the past two or three years but, when we conducted a resource assessment across all the local authorities in relation to the proposed housing bill, we found that we certainly do not have enough staff to invest in a significant scaling up of prevention of homelessness activity. COSLA and the Scottish Government need to have further discussions on that issue.

In answer your question, I would say yes, there is a shortage of staff to implement that major provision in the proposed bill.

The Convener: Brian Whittle has a supplementary question.

Brian Whittle: Callum Chomczuk mentioned net zero housing and the ambitions around reducing our carbon output through housing, including work on new builds and the retrofitting of 1 million homes, which is a target that has had to be dropped. We are 22,500 tradespeople short of the number of workers that we need in order to hit those 2030 targets, and we are dealing with a reducing budget. Should we be considering taking the capital that we have and addressing homelessness and the lack of housing by incentivising builders to build new affordable green housing? It seems to me that the budget is being spread so thinly that no targets are being met. Are we taking too much of a scattergun approach?

Callum Chomczuk: It is a fair question. We are trying to do a lot of things at the same time. We have an understandable focus on trying to make our housing stock as energy efficient as possible, which is an incredibly positive thing. You will all know that the social sector is first in class in that regard; it already has the most energy-efficient housing stock in Scotland, and that continues to be the case.

However, unless we are realistic about timelines and funding, we will fail to meet the targets, so we need to set out a plan that, as John Mills has said, is realistic about what we want and what we can deliver. We are all ambitious for our housing stock, and we all want to have the best possible housing but, unless the Government is able to provide adequate funding, the only source for the necessary money will be tenants, who will pay for it through higher and higher rents. If we want to deliver on the homelessness and housing crisis, we need to reflect on what other priorities need to

be paced differently, and everything has to be on the table at that point.

Brian Whittle: So, the question is: should we be focusing on developing green, energy-efficient and affordable new-build homes, instead of taking a widespread approach?

Callum Chomczuk: Obviously, we want to build greener homes, but my point is about what standard we are going to hit over a period of time. Are our current standards for delivering energy-efficient homes in the social housing sector realistic, given the kind of capital that is available? There is a question about how we best time the delivery of housing at an ever-increasing standard, particularly when we look at the issue of retrofitting existing homes. After all, most of the homes that we have in 10 years' time will still be the homes that exist at the moment. It is useful to think about whether we need to reconsider the timeframes around the delivery of green homes, so that we can put investment into building more homes that meet the needs of people today, in order to get out of this emergency.

The Convener: Jane Wood and Michael Cameron also want to respond on this issue, and then I will come back in with another question.

Jane Wood: Importantly, somebody talked earlier about prioritising the next one-year to three-years period. We need to stand back and think about housing through the lens of all tenures. It is important to recognise the interdependencies across the social, affordable and private sectors, and to think about the economy and the market that those sectors sit in.

Secondly, we need to recognise the social and economic impact of housing. Sometimes, we forget the £3.4 billion that housing provides to the Scottish economy as well as the roughly 80,000 jobs that it provides.

As we go forward into the next three years, it will be important to recognise that housing needs to sit across directorates. Because housing is such a complex issue, every directorate in the Government needs to have housing as some kind of a key performance indicator and to view it as an inhibitor or a contributor to the national outcome that each directorate is involved with. Housing feeds into all the national outcomes—net zero, mental wellbeing, educational attainment and so on—and I think that, if we can make housing a policy and political priority in relation to how we deliver Scotland's national outcomes, we will get more joined-up thinking, which is something that we have urged on the Government for a long time.

I have heard the view about capacity before. It might be good to remember that, in 2007, the Scottish Government stated that we needed to build 35,000 all-tenure homes a year. However,

between 2008 and 2023, we have been building only between 17,000 and 22,000 homes a year. There is the problem.

Michael Cameron: I will follow up on the point about investment in existing homes and Callum Chomczuk's point that almost all housing need is met through the homes that are already there. There are around 600,000 social homes, and they will be used to meet the bulk of the need that is in front of us now and which will arise in the coming years.

Therefore, although there is a critical need to increase the level of supply, it would compromise our ability to meet that need if we did not also focus on existing stock and, in particular, on ensuring that that existing stock is of a standard that is expected by Government and by tenants. The investment that we are talking about has to be considered in relation to both new-build and existing homes.

The Scottish Government is currently consulting on its proposed net zero standard. There is a lot of uncertainty for landlords around that, as they have not necessarily been planning for and projecting the financial requirements around the investment to meet it. I think that, over the coming year, as the standard is defined and landlords start to do that work, we will see that we are facing a significant capital investment requirement. We have estimated that, for registered social landlords alone—not for local authorities—the cost of bringing those homes up to that proposed standard will be somewhere between about £4 billion and £9 billion. That is money that has to come either from public subsidy or from rent paid by tenants. It is critical, therefore, that we keep those issues in focus.

The Convener: Thanks for that contribution, which brings the conversation to the question that I was going to ask, which is about retrofitting and the Scottish Government's declared town centre first approach.

Some of you might be aware that Scotland's Towns Partnership, the Scottish Futures Trust and others are doing a roadshow on town-centre living, looking at ways of getting more people to live in town centres and acknowledging that there is a lot of potential housing in the empty spaces above commercial properties. There are about 40,000 houses on the empty homes register, but those empty spaces are not officially viewed as being potential homes.

Those properties might represent low-hanging fruit, because retrofitting and renovating those properties would, I understand, cost about a third less than it would cost to do others. Obviously, we would have to think quite carefully about how we could make them relevant for modern living—for

example, quite a few will have small rooms. We could bring in designers and architects to think about how to make those spaces work.

Through the roadshow, I have seen tremendous case studies of what people are doing to renovate buildings, transform churches and so on. I am interested to hear what you think about that opportunity. How does it fit into the "Housing to 2040" vision? I invite comments from ALACHO and COSLA initially, then perhaps Callum Chomczuk can respond, too.

John Mills: We are in favour of having the town centre first approach as part of a local housing strategy—indeed, it is a part of many local housing strategies across Scotland.

I think the low-hanging fruit are probably the gap sites—in Fife, we have just built on one of those. In my view, the costs of building on a gap site tend to be higher than the costs of a greenfield new-build development, but that is part of the cost of bringing people back into town and city centres.

One of the difficulties in developing flats above shops is the need to consider ownership arrangements, which tend to be complex. The only tools for a local authority that wants to adopt a scheme in a particular part of a town centre are compulsory purchase orders or collaboration with owners to try to bring investment into those properties.

We need a particular focus on town centres that takes a strategic approach, supported by planning, that also looks at the economics of developing. I agree that we can do that at scale, but we need a particular focus on that. I would argue for a blended approach of buying brownfield town centre properties while also looking at greenfield development where we can.

The Convener: I highly recommend that you look into Midsteeple Quarter in Dumfries, where there is incredible community-led work that is strongly supported by Dumfries and Galloway Council. It is a tremendous example of community work on town centre living. They do detective work to find the people who own the properties, then buy them at a price that is, interestingly, usefully low for the community.

Maureen Chalmers, do you want to come in?

Maureen Chalmers: I do not have much to add to what John Mills said, but I fully support the place-based approach and community-led work. My local authority in South Lanarkshire has plans coming to a committee meeting tomorrow for the long-term development of Hamilton town centre. Local authorities are already taking that approach, but the complexity, as John said, relates to ownership of properties.

The Convener: Is there something that we can do about the complexity of ownership? Could the Scottish Government do something to help people to understand who owns property, or to find that out more quickly?

John Mills: Registration of ownership is not the main issue: we often deal with out-of-UK owners, for example, which takes time. I referred to compulsory purchase orders. During the previous session of Parliament, there was a commitment to using compulsory sales orders and I think that England has compulsory renting orders. There is an opportunity to bring together a panoply of legal interventions by local authorities to try to stimulate people who have empty properties to bring them back into residential use with the help of RSLs, local authorities and local charities.

The Convener: Callum Chomczuk, do you want to speak on that? Does anyone else want to speak?

Callum Chomczuk: This discussion shows the number of tools that we have with which to address supply. John Mills and Maureen Chalmers have talked about empty homes and the transformation of existing stock. We also have new build and the ability to buy back on the open market. We must be able to use all those tools, as appropriate for landlords and for areas.

Fundamentally, however, we need new supply, which requires building. We absolutely need transformation: bringing town and city centres back to life is really important. Local authorities and RSLs do buy-backs, particularly of former right-to-buy stock. That happens tactically and strategically all over Scotland and will continue. Buy-backs are really important—I do not want to minimise that—but the housing crisis will not be solved by changing homes from one tenure to another, but, as Jane Wood said, by building more homes of all tenures.

Sally Thomas: Although I would call them marginal activities, that is not to understate their importance, because community-led homes, community-based housing, town centre first strategies and acquisitions from the private sector are all really important. However, at the moment, they are marginal in the overall supply of new homes.

One of the big supply problems at the moment is that housing associations are having to reconsider their development programmes because of the risks that are being caused by the reduction of Government money and uncertainty about that. Not only do we have a housing crisis and the opportunities that we have just talked about, but we have a sector that is becoming more cautious and more uncertain, and is therefore having to reduce its risk of financial exposure.

10:15

The place-making aspect of housing associations is absolutely critical. Housing associations develop at scale in places and are, therefore, anchor organisations that are crucial to places overall, whether those places are rural, urban, suburban or whatever.

The place-making role needs scale. You cannot make a place without scale. A “place” cannot be just one or two homes, so scale is very important. That brings us back to the need to provide more homes to achieve that scale.

My final point is the one that Callum Chomczuk just made, which is that all those aspects of the housing system are important, and we would like more of all those activities—town centre first, acquiring existing vacant housing, place making, community-led approaches and more—but we cannot do any of them unless we have the scale and certainty of supply to support them.

The Convener: As a rural and islands MSP, I will say that, in some places, two houses do actually make a place. That is part of the challenge: the situation is quite nuanced, depending on where the need exists and what we are seeking to accomplish in making a place.

Stephanie Callaghan (Uddingston and Bellshill) (SNP): I put on the record that I was a councillor on South Lanarkshire Council until 2021.

We have heard quite a bit, so far, about the challenges, but I would be interested to hear about any areas where the panel feels there has been good progress towards the plans that were set out in “Housing to 2040”, and about any good practice lessons that can be learned from that. In addition, can the panel reflect on how further progress could be achieved in areas where there have been challenges?

The Convener: Does anybody want to come in on that? There must be some good progress.

Sally Thomas: Yes—of course there has been good progress. As I said at the outset, it was hugely great progress to have that plan in the first place, just as it is to still have it and to have a commitment to it. That in itself is good practice and is worthy of support and compliment.

Initially, with “Housing to 2040”, there was the vision and purpose, and there was discussion about the resources and capacity with which to deliver those. The detail and the amount never amounted to exactly what we wanted, though. That is still the case and the situation has been further exacerbated by the cut in budget.

However, at the outset, and for a few years, we had certainty and confidence that there was a

vision that everyone could gather around, because everyone had been involved in producing the plan and could develop, retrofit, acquire new homes and do what was needed to deliver a healthy housing market on the back of the plan.

Now, I have to say, the certainty and confidence have largely evaporated. Things are much more fragile—again, that has been exacerbated by the budget cut. I would not want to devalue “Housing to 2040” through the argument that a lot of us here make about the recent budget cut: the policy is still a great thing to have and it is much better to have it than not to have it, but we are at risk of devaluing it by the actions that are being taken.

Jane Wood: I concur.

There are 20 actions in “Housing to 2040”, and we have done an exercise to monitor delivery of them. Work has been carried out in small areas, but another exercise probably needs to be done urgently to look at where there has been progress and where the priorities are in order to remove the barriers to housing supply so that we can deal with the immediate issue for Scotland’s population.

I agree that all 20 actions remain relevant and that they are important. As advisers to the “Housing to 2040” programme, we are committed to them. As I said, there is a lack of urgency in respect of understanding where the blockers are in policy, resource and cross-directorate working, so looking fairly quickly into that would help.

On the national strategy for economic transformation, we are now looking at where housing sits as a contributor to or inhibitor of national outcomes. We welcome the work that has been carried out by the Scottish Government and its economic directorate on that, because it involves developing an understanding of housing in other areas of Government that can influence the situation.

We must not lose the ambition of the plan, but we must be practical about the reasons why it is not delivering within the timescales that were originally set down, and why it is not acting in the context of where we are with regard to the economy. The problem is that we have not created an agile and inclusive ambition with regard to housing—we do not flex the approach. The plan was developed about five years ago—before my time in my post—but it has to be a moving thing. It must be a live ambition that is contextual.

The Convener: You say that it must be “a live ambition”. If it were, what would be done differently?

Jane Wood: Housing is a complex area, and a lot of elements impact on it, from the development cycle, to the regulatory environment, to the economic environment. It sometimes feels as if,

when we are discussing a housing policy or a housing ambition, we sit there in surprise, saying, “Gosh! We have a deficit of 100,000 houses!” However, we should not really be surprised. Housing is a science; it relies on data, and the Scottish Government creates good data. The problem is that we are unable to flex, for example if there is an international conflict that means that we have to support refugees, if interest rates go up or if products to enable first-time buyers to get into the housing market are not available. We always seem to be surprised by such issues, but we should not be, because the economy has always worked like that and we have always needed housing, which is a basic human right.

We need to get some intellect and evidence into the process, so that we can horizon scan a little bit more and build in some flexibility to deal with what we might be faced with in the future. At the moment, if we have to deal with issues such as the need to house refugees, there is no flex in budgets to enable us to do that—in fact, budgets are reducing, which is part of the problem.

Another issue is that we do not understand who is building the houses in Scotland and where they are doing it. We do not know where the resilience points are or where circumstances are economically challenging. The industry is telling us that the labour situation is getting better, so I do not think that labour will be a big problem, and the situation with the cost of materials is getting better. However, the problem is our ability to build the houses that are needed.

The Convener: Thanks for going into the issue in that level of detail. That helps us to understand it better.

Budgets have been mentioned, which Mark Griffin wants to ask about.

Mark Griffin: Before I ask my questions, I remind everyone of my interest as a former owner of a private rented property, which I owned up to July last year.

Lots of people have talked about budgets. I would like to hear witnesses’ views on the impact on the “Housing to 2040” vision of this year’s housing supply programme budget cuts. How will they affect supply overall, and affordable supply in particular? Is the ambition to deliver 110,000 affordable homes still realistic?

Jane Wood: We have formally written to the Government to ask what its view is of the impact of the cuts to the budget. A housing bill is coming down the line; we are concerned that that legislation is being developed before we know the detail of the problem that we are trying to solve, because we do not know what the impact of the reduction in the budget will be. It is important that we understand that. I appreciate that the bill is

only in draft form at the moment and that we might need to wait until it has gone through its full parliamentary process, but we need to understand what the impact of the reduction in the budget will be.

John Mills: The question is at the core of our current discussions—certainly, the issue was discussed with the minister at the most recent meeting of the “Housing to 2040” board.

The word “confidence” was used earlier: what is needed for new-build programmes is certainty that there are pipeline projects and momentum. It is necessary to have the key talent in place to do that in a local authority context, including in planning. Key partnerships with RSLs and developers that will provide section 75 contributions are also needed.

The hope for the “Housing to 2040” strategy was that, as soon as there was uncertainty around a budget, the five-year cycles of budget deliberations would be transcended and a commitment to continue building houses for 20 years would be made. However, once such a level of cut to an affordable housing supply budget is proposed, there is the risk of losing momentum. It takes one to three years to get a project on the ground and built, so uncertainty about the budget commitment removes confidence and momentum from the sector.

I can reflect only on our situation in Fife, which we are currently analysing and seeking a response from the Government on. We are now holding up new-build projects because we do not have certainty that we will have a new subsidy budget in 2024-25, and because of projects that we are already committed to in the strategic housing investment plan. That is the case for all local authorities and many RSLs. There will be a pause and things will slow down, and we will take our foot off the accelerator at a time when we need the opposite to happen. One could argue that, instead of going down a gear, we need to go up two gears to tackle the housing emergency that we face.

Sally Thomas: I will demonstrate that further. Two or three years ago, we were building at a rate of about 7,500 social homes a year, and that rate held up even through Covid. We are now building about 5,000, which means that we need to fill a gap of at least 2,500 to keep up with the “Housing to 2040” ambitions. That 2,500 represents the budget cut for the number of homes built per year; the 26 per cent cut that was in the Scottish Government budget before Christmas equates to about 2,500 homes a year. That is the on-going gap that we are looking at.

I also want to come back to my point about certainty and confidence. RSLs and housing

associations depend on the private investment market—the private financial market—for roughly half the money that they use to build new homes. The Government grant supplies about 50 per cent, then organisations go to the private lending market for the other 50 per cent, which can be from pension funds or banks and building societies.

The Government programme contained £3.5 billion for investment in affordable housing during the current parliamentary session, and housing associations bring in probably an additional £4 billion. We therefore estimate that more than £7 billion-worth of housing supply money was available, and it was coming into Scotland from all over the UK, from abroad and from wherever else. That money is now at risk, because lenders can see that there is less confidence and less certainty in the Scottish system, and that there is less confidence and certainty from Government. We are not at risk because we are building far fewer homes than we need, and that is not due to change any time soon. We are, however, at risk of losing the private sector money and the confidence and certainty behind that, which the financial markets bring into Scotland.

Callum Chomczuk: To answer your question, we are absolutely at risk of not meeting the 2032 target. The fact that the Scottish Government and the minister have announced a review of the target suggests that there is not enough confidence that it can be met within existing budgets.

In relation to confidence in the sector, we are talking about a budget cut for 2024-25. Our expectation is that the cut will be repeated in the next budget and it will be deeper. We all know that the mid-year fiscal review is the right title for it, because it looks at projections over the medium term. We therefore expect those cuts to be compounded in the following year’s budget.

I will add to Sally Harvie’s comments. We are all aware that build costs are higher for social and affordable housing, and that they increase every year. The Government’s response to a freedom of information request put average build costs at £190,000, although I note that an ALACHO and the Society of Local Authority Chief Executives and Senior Managers report that came out last summer said that those costs could be between £200,000 and £300,000. Even accepting a build cost of £190,000 and the Government funding around 55 per cent of that, we will lose 1,766 homes this year. That compounds what John Blackwood talked about. We are losing 22,000 homes in the private rented sector and just shy of 2,000 in the social rented sector as a result of the budget cut.

10:30

The really interesting thing is how we can scale up. We need to consider the total cost. Even if we assume a build cost of £190,000 a unit and that we have delivered 20,000 homes, it would cost £17 billion to deliver the target of 110,000 homes, with the cost to Government being just over £9 billion. However, we do not really talk realistically about that. Is the Government actually prepared to invest £9 billion in social and affordable housing? It absolutely should, but we do not talk about whether it will do that in the current session of Parliament, the next session or beyond. As Sally Thomas mentioned, if the Government is not willing to do that but it still wants to reach the target, that will mean higher costs for tenants, because that is the only other way that we can square the circle.

We need to be realistic about the cost of delivery. Even if we accept a build cost of £190,000 per unit, it will cost £17 billion to reach the target of 110,000 homes by 2032.

The Convener: I think that we have started talking about that now. Thanks so much for bringing that up.

Jane Wood: It is important to recognise that, with the draft budget, we have a three-year consecutive reduction. I understand that there has been a reduction of about 40 per cent over the past two financial years. I am representing the house building industry, and notwithstanding that the budget is still in draft, I think that it is fair to say that the announcement, along with all the other regulatory and economic pressures and the nature of the planning system—those things have been well discussed today—means that the industry's view of Scotland as a place to invest is now being impacted. Many house builders are pulling out of sites, losing interest and investing down south instead of in Scotland, which is a real problem for us as a country. There is a need to rebuild relationships and to understand the value of the house building sector, given the social and economic contributions that it makes.

The Convener: Do you have evidence that you can share with the committee regarding the concerns that you have raised about house builders pulling out and investing elsewhere?

Jane Wood: I am happy to share that separately. Some of that is about the rent controls, but we can also give you details of other sites. There are cases where we have had struggles with financing through planning applications as well. We will provide data on that to the committee separately if that is acceptable.

The Convener: It would be great to know more about that.

Mark Griffin: If we assume that the draft budget will be passed in its current form and that there will be a cut, the million-dollar question becomes: how will we build the homes—which, as we have all said, are desperately needed—with less money? Are there any innovative finance models? Could the Government provide guarantees for loan funding? Is there anything else that the Government could do, in the absence of hard cash, to stimulate the house building that we know is required?

John Mills: Nothing can replace a grant. Most house building in the sector is loan funded based on tenants' rents. In local authorities, about 53 per cent is funded through tenants' rents and borrowing to repay the interest, and 47 per cent is funded from the Government grant. If grants are reduced and replaced with other means, they will still involve loans, and local authorities will still have to pay those back. That will mean higher rents for tenants over the short, medium and long terms.

The affordability of rents is a critical consideration for every local authority leader and housing spokesperson. In an environment where there are cost of living pressures, it will be very difficult to justify to tenants why we need to borrow more for the housing revenue account business plan, which will result in higher rents. The answer is that we simply cut back on the programme.

At present, the argument is whether we should have a blend that involves more acquisitions from the private sector rather than our building new homes. I think that many local authorities will look to do that in order to reduce costs. There is also less grant available for acquisitions, but I think that that will be the result, as strategic housing investment plans are reviewed every year, rather than local authorities continuing to build at the same pace. The pace is slowing already and it will slow even further. ALACHO's assessment is that that is likely to be the outcome.

Jane Wood: I will refer back to small and medium-sized house builders and reiterate how critical those are to the building of all tenures of home across Scotland.

Since 2020, the economic environment has steadily become more difficult for SME home builders. A combination of Government budget cuts, Covid, Brexit and the conflict in Ukraine has created unprecedented uncertainty across the housing industry, but that has been most acutely felt by SMEs. They work to tighter margins, have fewer available resources and are less able to plan ahead but must deal with the here and now. There are also other factors, such as inflationary pressures, the cost of remediating sites and planning costs. Also, those businesses do not have the resources to research suitable options

and thus rely on familiar funding sources. Scotland is not supporting SMEs across those funding sources to deliver the homes that we need.

Homes for Scotland is working on a piece of research that we have committed to sharing with the Government and that we will also share with the committee. It will identify who the SME builders are, where they are building, which rural and urban communities they are building in and the difference between brownfield and greenfield building. That research will give us a sense of where we can, or should, give help and support. We will also look at the demise of the SMEs. We know that, in the past five to 10 years, there has been a reduction of at least 40 per cent in the number of SME builders across Scotland, which is a problem for us, too.

We have spoken to the Government and to the minister. It is really important to look at how we can invest in, and support, SMEs through innovative finance.

Michael Cameron: I will comment on the point about innovative finance and also echo what John Mills said.

Where innovative finance can deliver cheaper borrowing and replace existing, more expensive borrowing, that is obviously beneficial and will drive cost savings. However, as John Mills said, if that is seen as a replacement for public subsidy, the direct impact of that will be higher rents.

We already know that there is significant upward pressure on rents. We anticipate rent increases of somewhere between 5 and 10 per cent by social landlords this year, because of the costs that are already in those businesses. Anything that introduces a new or additional cost will have a direct impact on rent levels.

Sally Thomas: To continue that point, we have not said much about tenants. We are all here, and “Housing to 2040” exists, because people, whether they are tenants or home owners and whether they rent from the public or private sector, need homes. It is really important to note that “Housing to 2040” is about looking across the housing system, which is interconnected.

The registered social landlord part of the housing sector has spent considerable time looking at other funding sources, which always comes back to looking for cheaper funding sources that charge less interest. As has been mentioned, housing associations have a very simple business model. Their income comes from rent and from private sector lending—that is it. They use that money to build homes and, critically, to reinvest in the homes and communities of existing tenants. The more expensive private lending is, the less money there is to invest in those homes and communities, at a time when the

people living in those homes are experiencing probably their worst-ever financial situation, which does not look as if it will end any time soon.

Housing associations, as charities and not-for-profit organisations, must look primarily at the lives, successes, homes and wellbeing of the people in their homes and communities. They will always do that first before looking for the money that they might be able to get but that would be more expensive and would have a deleterious effect on those homes and communities.

The Convener: Thanks very much for raising that point. Pam Gosal wishes to come in with a brief supplementary.

Pam Gosal: On innovative solutions, a John Rodger feature in *Scottish Housing News* looked at a few ideas such as the reform of the planning process; a reduction in land and buildings transaction tax; targeted support for first-time buyers; measures to help older home owners to downsize; and tax breaks for building low-cost energy-efficient homes. Do witnesses have any thoughts on those ideas?

Jane Wood: If we are looking at creating surge capacity immediately and in the short term as part of the solution, I am happy to give more detail on planning in that respect if that would be helpful.

Despite the Scottish Government’s “Transforming Places Together: Scotland’s digital strategy for planning”, the 43 per cent cut in the planning budget was across digital, as we have discussed. We strongly advocate the use of technology to free up planners’ time. A timely example is the system for self-certifying an extension as permitted development—which might allow councils to focus more on other things. A reinstatement of the budget cut to planning would assist in quickly rolling out projects, if we could invest in such technology.

Another solution that we are keen to explore is temporarily increasing the pool of self-employed planners and reporters. There is a lot of skill and talent out there that could deal with the increase in the number of deemed refusals and major applications, which such people could run and they could clear local developments, which would allow councils to focus on housing applications. In addition, those people—that new resource—could undertake site assessments following the receipt of submissions after call for sites exercises. They could also assist in delivering local plans.

There may be some scope for looking at how councils could collaborate. They may be doing that already—forgive me, I am not aware of everything that goes on. If councils were to collaborate—at a fundamental level, that would be sharing staff resources and expertise; at a more detailed level, that would be using a template site assessment

methodology to accelerate consideration, for example—that could help.

We will always flag up this issue, but we want to put on the table that planning fees should be ring fenced. The fees that are paid by developers are not going back into the planning regime. That issue is high on our agenda.

My last point is on the introduction of a simplified development management approach to assist SMEs on sites of less than, say, 12 homes. To respond to the convener's earlier point, those sites are also critical across communities.

We have put those ideas to the Government for discussion. They could be delivered quite quickly and would have an immediate impact on the planning system.

Sally Thomas: It is important to talk about the opportunities, and the positive things that can be done, in this context.

We have been co-chairing a cost pressures working group with the Government—many people at this meeting have participated in it—and it is about to report on potential solutions to the cost pressures that are in the home building industry overall. Some recommendations will be around collaboration and risk sharing across the industry, land-cost mitigation and approaches to funding.

Although we are really concerned about the challenges that we have, it is important to make the point that we are looking at solutions in a positive, creative and constructive way.

The Convener: We will keep an eye out for that report.

Willie Coffey: Despite some of the challenging messages from witnesses today, it is important to remember that, since 2007, Scotland has consistently built more social and affordable homes than any other part of the UK, and that it continues to do so. As an elected member for more years than I care to remember, I do not forget that we have lost 500,000 social rented homes in Scotland since 1979. You could argue about whether that has a legacy impact on our discussion today; I certainly think that its impact has been substantial. We reap what we sow, from those years to this day.

10:45

I want to ask colleagues about the impact on homelessness services, a matter that has been raised a couple of times. I will ask Michael Cameron and Councillor Chalmers about this, in particular. What more do we need to do to—*[Interruption.]* I beg your pardon, Councillor Chalmers: I will speak closer to my microphone. I

am asking you for your views on the impact and potential rise of homelessness. I think that you mentioned that a report is due from Heriot-Watt University suggesting that homelessness could increase by a third.

However, I will first ask Michael Cameron for his views, as the regulator has been giving us stark warnings about the impact of homelessness in the years to come, and about how we should try to build further protections into the housing to 2040 strategy.

Michael Cameron: Just before Christmas, in an update to our earlier homelessness thematic review, we highlighted that systemic failure is now impacting on a number of local authorities. We await the publication of Scottish Government figures at the end of this month, which will update the position on homelessness up to the end of September last year. We anticipate that the numbers will have deteriorated significantly, and that would certainly reflect what we have seen as we have engaged with councils through the past year.

The real challenge goes back to supply: there are not adequate numbers of homes becoming available to meet the demands that are placed on many local authorities through people becoming homeless. We are now starting to see a real risk of statutory failures to provide temporary accommodation or of statutory failures under the unsuitable accommodation order becoming endemic in some areas. There needs to be an immediate focus on how to resolve that challenge.

John Mills has spoken about a time horizon of one to three years, which seems a reasonable time for ascertaining how we turn round the position that we are in, with more than 15,000 households in temporary accommodation for longer periods than has been the case before. It is a matter of prioritising the available homes and the available resources to deal with that. It will be very difficult for local authorities to realise the ambitions of rapid rehousing while we have that significant backlog of households in temporary accommodation.

Willie Coffey: Could you offer a perspective, Councillor Chalmers?

Councillor Chalmers: Much as Michael Cameron was saying, the homelessness numbers are increasing all the time. Some local authorities had made really good progress on rapid rehousing and had begun to turn that round in the past year, but that has slowed right down. We are now seeing 15, 16, 18 or 20 per cent homelessness in local authorities. As Michael said, about half of our local authorities are at risk of breaching their statutory obligations, and that is not where local authorities want to be.

On the research that I referred to, Heriot-Watt University published a study indicating that core homelessness will increase by a third over the next two years. The announcement on the affordable housing supply programme cuts right across that. We are not dealing with what we have right now, never mind what is coming up at the end of the month and in the slightly longer term. That is one of the reasons why some local authorities have declared a housing emergency, and it is why we at COSLA have brought together a special interest group to try to find some solutions.

Stephanie Callaghan asked earlier about what is working well. There are things that are working well, and there was good practice in this area, but local government is facing complex challenges at the moment. There are our Ukrainian guests, for example. Around 20,000 people are waiting to be permanently housed, and every local authority is dealing with that, alongside our core homelessness figures.

Earlier, John Blackwood mentioned the issue of private landlords. There is an increase in the number of people opting out of being a private sector landlord, which places pressure on local government. Indeed, there are a multitude of pressures, and the figures are increasing. The only real solution is to have more homes. We have been saying over the past few months that we really need more homes for people.

Willie Coffey: Maureen, to come back on that—

Councillor Chalmers: I am sorry—I am struggling to hear you.

Willie Coffey: I will get as close to the microphone as I can, and I will shout.

In your initial remarks, you also mentioned the importance of human protection schemes. Do you see there being an increasing reliance on those schemes in order to help with the problem at that level?

Councillor Chalmers: At leaders meetings and at our community wellbeing board meetings, no one has said anything about that. We want to welcome people here and to support them, and to do so well—that is a given. The difficulty that we have with human protection schemes is the lack of a planned approach. With the Syrian resettlement scheme, there was lots of planning and discussion. When people arrived, there was a team right around them, and the school was ready to receive the children. All of that work was done in preparation.

As you know, the difference in the past couple of years has been in the number of people who have arrived quite quickly. You will be aware that the welcome accommodation for our Ukrainian

guests is coming to an end, and the move-on funding will finish at the end of this financial year, but we still have people who are looking for housing. The complexity of the UK and Scottish Government schemes is putting pressure on us. There is no coherence across all of that. We desperately need everybody—we have made this case to the UK Government and the Scottish Government—to get together and work some of that out, because it would help local government to prepare for, plan and properly support people who come to live here as new Scots.

Willie Coffey: Thank you very much.

John, you indicated that you wanted to contribute.

John Mills: When I use the word “survival” in relation to the next one to three years, I am not using it lightly. It is going to be really difficult to meet all the homelessness demands that are coming to local authorities. I am currently getting a lot of letters from MSPs to ask what is going to happen to people in hotels in Fife, and my response is that they are going to be homeless, because there are no other accommodation resources available to enable me to take a planned approach to resettlement.

The other issue is that there are a number of solutions to that over the next one to three years. We have been in deep conversation with civil servants about the short-term housing supply, and a short-term housing supply group has been set up. That group has yet to report fully and finally, but its work mirrors a lot of the recommendations that the Society of Local Authority Chief Executives and Senior Managers and ALACHO produced last July. There are solutions out there, but they need investment.

We need to keep building and buying, and to bring down the number of empty homes in the public and private sectors. That is what needs to be done in order to increase capacity over the next one to three years. The solutions are there, but how do we implement them? That is a resource issue—human resources, money and accommodation have to come together at the right pace in each local area across Scotland, because they are not all the same. Every local authority has a rapid rehousing transition plan, and that is the vehicle for doing it. We need to be able to resource that properly and to allow local authorities, with local partners, to implement those solutions at pace.

Willie Coffey: I have a broader question for the panel about overall quality standards in our new builds. Are they fit for purpose? Do they meet the demands and needs of the 21st century? Earlier, Brian Whittle talked about the green impact and designing our homes to be greener. There are

digital requirements, too—homes should be digitally enabled. In this committee, you have probably heard us discussing the materials that are used to build our houses. We are talking about cladding, principally for higher buildings. Should we be thinking about the adequacy of good materials in our build standards? Are they fit for purpose for the modern home?

Jane, would you care to offer a view on broad quality standards and new-build quality?

Jane Wood: We need to recognise that the home-building sector is already a heavily regulated industry that goes through vigorous verifications and sign-off procedures through building control. In addition, it is important to recognise that new builds come with stronger consumer protection in place through the provisions of the consumer codes and oversight by the New Homes Quality Board, which you are perhaps aware of.

It is fair to say that home builders are facing a significant change in building standards as Scotland rightly strives to meet an ambitious net zero target. We are looking at a 32 per cent reduction in operational carbon emissions, a ban on gas boilers from April 2024 and the development of the Scottish equivalent of the passive house standard. All our industry members recognise and support the need to do more on that and are committed to achieving what is practical at the earliest opportunity, but it must be recognised that, as was mentioned earlier, new-build homes represent a tiny part of the housing stock, and the existing home stock must also be tackled if we are to have a meaningful impact on carbon emissions.

We are happy to go into detail on the issue at another time, but given that house building is a regulated industry sector and that there is a commitment from the sector to create the highest standards, I think that the answer to your question is yes.

Callum Chomczuk: In response to Pam Gosal's question earlier, we talked about accessible homes for people with disabilities. We have just concluded a consultation on housing for varying need in Scotland, looking at how we can improve the accessibility of existing homes and new-build homes. People have been waiting for such a consultation for a long time, and it has been welcomed by the sector.

However, the issue comes back to the fundamental point around the cost of delivery. We are all ambitious to have more accessible homes, and we all think that the housing for varying need guidance is dated and needs to reflect the needs of people in their homes in Scotland today. There is a constant need for the housing sector and the Government to work together to continually review

all housing standards and to push them with regard to energy efficiency, amount of space, digital connectivity and so on—that is the job that we all do.

What is missing is a full appraisal of the costs of doing things. If we know what those costs are, we can make choices around the pacing of what we do and when we implement things. It is not that we do not want to implement higher-quality standards in new builds, for example, but we have to be conscious of the cost of doing so and to ask whether, given the amount of money that doing a certain thing will cost, it should be the priority for this time or whether we should focus on something else.

The sector is used to constant change and flux. We are always working to new standards—the landscape is never settled. However, we need to have clarity around the cost of delivering things and a prioritisation of what we do. At the moment, should we address some of the things that you mentioned, or should we focus on, for example, the housing emergency that we face and which we have talked about today?

Willie Coffey: Are there any other views on quality?

Sally Thomas: Social homes have to meet incredibly rigorous and high quality standards, which the regulator oversees. Again, that is one of the reasons why lenders are so attracted to the sector, because the quality is so high and will continue to be so in perpetuity. Furthermore, the regulatory survey shows that nine out of 10 tenants are satisfied with their homes and services. So, the broad picture is that standards are high and tenants and communities are happy with what they get.

The contradiction in all of this is that the area of standards and quality is not finite and it continues to grow and develop, because there are always new issues and new requirements, not just for retrofit, which is huge, but also for modern standards around digital connection, for example. There are also unplanned issues that come out of left field, as it were, such as damp and mould, fire safety requirements and problems with reinforced autoclaved aerated concrete—RAAC—all of which it is absolutely vital that we deal with. However, addressing those issues costs money, and those costs have a direct impact on the money that is available to build homes and to do what is needed to maintain existing homes.

Some conversations have been taking place under the radar about whether the expectation of the Scottish quality standard could be reduced in relation not to building new homes or retrofitting but to acquiring homes on the open market to become social housing in order to meet the

housing needs that we have talked about. That raises all kinds of questions, which we will not go into here. There are ways of looking at that that might be helpful and positive, but overall, we do not want to lose the quality of the homes that we have, and there might be a cost to that approach.

Willie Coffey: I see that there are no other views.

The Convener: I will go back online and bring in Stephanie Callaghan with another question.

11:00

Stephanie Callaghan: We have heard that implementing the “Housing to 2040” vision links to a range of other policy areas, such as energy efficiency and the planning system. We have also heard comments around health and social care, mental health and education, and addressing depopulation with regard to reserved UK policy.

Is anyone able to say any more on how the Scottish Government can look at joining up its policy actions to achieve the “Housing to 2040” vision, and highlight any opportunities to build on good practice or improve in that area?

The Convener: Does anybody have any thoughts about that?

Jane, you have touched on that quite a bit already, to some degree, but please come on in.

Jane Wood: Having worked and collaborated with Government and welcomed those conversations, I cannot stress strongly enough the importance of smart working across the Scottish Government. We are aware of the document, “Supporting and enabling sustainable communities: An Action Plan to Address Depopulation”, which was released on Friday. That document mentions housing multiple times—around 300 times—but there was no consultation of Homes for Scotland, nor were we aware of it, even though “Housing to 2040” advises that that should happen.

I am not criticising the report or undermining its importance. I am simply making the point that we will not get this right if we do not collaborate. If we are creating plans over there to tackle depopulation, which is a big issue, but we are not consulting and using evidence and data from the sectors that impact depopulation in order to inform that action plan, we will not get it right.

The Convener: Does anyone else want to come in on the issue of a joined-up approach?

Councillor Chalmers: The same applies to health and social care. For example, I have met some of the long-term care organisations, and we know that end-of-life and palliative care needs are not necessarily being met in housing contexts.

That work needs to be joined up to ensure that we hear from those types of specialist organisations about the needs of the people with whom they are working. That includes some of the local authority projects that are coming forward just now that involve housing-led solutions to long-term care. It is about bringing together good practice where that exists and listening to those organisations to inform the way forward.

We could say the same with regard to care-experienced young people and veterans. It is about listening to those groups and making sure that that is built into planning.

The Convener: I will bring in Marie McNair, and then we will go in a rural direction with questions from Brian Whittle. We also have a series of questions on regulations under the Cost of Living (Tenant Protection) (Scotland) Act 2022.

I hope that the witnesses will bear with us as we go over a bit more; we need your good attention and thoughts for a bit longer, as your evidence is helpful.

Marie McNair: Before I start, I note my entry in the register of members’ interests: until 2022, I was a local authority councillor on West Dunbartonshire Council.

I go to John Mills. How well are the Scottish Government, and the partners that are responsible for working to achieve the aims of the housing to 2040 strategy, involving communities, tenants and residents in the delivery plans?

John Mills: There is certainly a commitment in the strategy to work with all residents and tenants in communities to inform a number of issues around different housing mixes, infrastructure and ensuring that we do not build houses without access to shops, or without access to health centres, which is obviously very important. That commitment underpins the strategy. We have a tenant representative on the housing to 2040 board from one of the networks in Scotland, so that commitment is voiced at the table.

When we come to work with local communities around housing pressures, we could do a lot to get out public messaging about that, and to get tenants, applicants and residents to understand some of the issues and consequences of not having enough homes in an area. A few months ago, I was at a community council meeting at which the falling primary school roll was discussed. For a housing professional, the obvious suggestion is to build more houses, but people do not want that, for whatever reason.

There is a lack of appreciation of some of the issues that affect the community when new homes are built in it and the benefits that that building can bring. We have the commitment that I mentioned,

but a lot more can be done, particularly at the local level, on informing people about how the housing system works and what benefits it can bring to local communities.

Marie McNair: Have outcomes improved for residents, tenants and the community?

John Mills: Although we have talked about there being a huge backlog, people are being housed through the housing system by housing associations and local authorities. For those people, the outcomes are much improved.

Having fewer empty homes in the area is another key issue for local authorities and housing associations. You can see evidence of local authorities and RSLs reducing the number of voids that they are managing. Getting your own house in order is a benefit to the community, because there are fewer empty homes and more residents paying council tax in those areas.

There is a host of benefits to taking the short-term actions that I talked about earlier. It is not just local authority politicians and officers who are saying that, but local community representatives. You need to hear that voice.

Sally Thomas: It is built into housing associations' DNA that they consult and involve tenants. Most housing associations were set up roughly 50 years ago by local people who were looking for housing. The majority of them are still there. They are very resilient organisations.

As charities and not-for-profit organisations, housing associations' sole purpose is to provide good, decent homes for people who need them and to help those people to stay in them. You can only do that by involving the people who need those homes and helping them to stay in them. The housing association model is such that housing associations not only provide great homes but help people to stay in their home, whatever that might take—up to a point—for as long as they need it and then help them to move on to other homes. That all requires close involvement and engagement, and it is absolutely part of their fabric.

Callum Chomczuk: I am encouraged by the returns to the Scottish Housing Regulator that we see. The high levels of satisfaction in the social housing sector are demonstrable year after year. People are really satisfied with the service that they receive and the quality of their homes. Equally, in the private rented sector, there is real satisfaction with rented accommodation across Scotland. That is something to be applauded as we reflect on successes.

However, we are at a tipping point, and there is a risk of that satisfaction declining over future years. The regulator has reported on the

increasing number of deficits among RSLs. When any organisation gets into financial challenges, there is an understandable need to focus inwards and to manage those challenges rather than to focus outwards. The sector is likely to face that risk over the next few years.

Fundamentally, the social rented sector and the private rented sector are delivering a quality of home that tenants and customers are really happy with. That is borne out by the data.

The Convener: Thank you. I now bring in Brian Whittle.

Brian Whittle: I will be as brief and concise as I possibly can be. We have touched on how the housing market has to deal with inward migration. Migration within country is also an issue. We have a significant issue of migration from rural to urban areas. The extent of the migration from west to east is a surprise to me. Obviously, that situation has an impact, because it puts pressures on housing.

Specifically in rural areas—I will come to Jane Wood in a minute, because she talked about SMEs, which are the predominant house builders in rural communities—that migration is leading to a reduction in the ability to deliver services, which means that fewer people stay in those areas. It seems to be an ever-decreasing circle. Does the housing strategy take that into account? One of the key issues that has been mentioned a lot is the lack of appropriate housing to keep people in rural communities.

I am looking at Maureen Chalmers for an answer to that.

Councillor Chalmers: That relates to the place-based approach. The rural and islands housing action plan aimed to maintain that approach and to ensure that housing was there for people. As you said, though, if there is a local school and people are moving away, that puts all the services at risk, which then raises the question whether maintaining the place should be a priority. Perhaps John Mills could provide a bit more detail.

John Mills: This afternoon, I will go to a Fife housing partnership meeting to discuss the setting up of a specific rural housing forum in Fife, where there is a mix of city, urban and rural areas. In the last phase of our new-build programme, which we call phase 3, most of the houses were built in rural north-east Fife because we recognised that there was a deficit there. That helps people to access or to keep jobs locally, and it also helps families to keep children at local primary schools so that they remain viable.

When it comes to the homeless population, which is mainly in city and urban areas, that is where we tend to focus, but we must consider

solutions for all the geographies of Scotland, not just the bigger conurbations.

I am part of the Edinburgh and south-east Scotland city region deal housing partners group. We have recognised that it is the fastest-growing region in Scotland. Why is that? I would argue that the main reason for people being attracted to it is economic opportunity. Although we need to consider housing in a rural context, and to look at stimulating local business and social enterprise in those areas, we must also keep the infrastructure viable for local authorities and others to invest in. Rural housing absolutely has to be one of our priorities for the future.

Brian Whittle: As I mentioned, builders in rural communities are predominantly SMEs. All those issues are connected. Connectivity is hugely important, but there is also a cost associated with building in rural areas. Do we need to examine how we incentivise builders? At the end of the day, they need to turn a coin. Should we incentivise them to build in rural areas?

Jane Wood: I welcome the question. Before I respond, though, I will go back to your earlier question about the “Housing to 2040” strategy. Action 6 of the strategy focuses on how we support and deliver housing in rural economies, so that aspect is clearly addressed there.

Returning to your later question, I would point first to the rural and islands housing action plan. However, although that covers many different areas, it does not really acknowledge or support the role of the private sector. It fails to take an all-tenure approach to rural housing delivery and the interdependencies between private and public delivery.

We must also be cognisant that the level of rural housing delivery is at a historic low, as we all probably know. It is about 27 per cent below 2007 home building levels. As might be expected, build costs are higher in rural areas—by 10 to 25 per cent—due to the scarcity of labour and skilled trades and the high level of delivery costs. For really remote rural and island developments, costs can be up to 50 to 75 per cent higher than they would be in urban areas.

Another problem that we identified while working on our report is that, in 2022-23, the average planning application processing time across rural authorities was 42.9 weeks for rural housing developments and 14.1 weeks for minor developments. That aspect is interesting, and we should look at it in the mix when we consider barriers to development.

There are also potential opportunities for SMEs in acquiring permitted development rights for conversion of agricultural properties that have

been consulted on and adopted for increasing housing provision.

To answer your question, I agree that there is a huge opportunity to look at subsidising. However, if I might revert to our housing needs research that has just come out, another aspect to consider is whether we understand housing needs in the context of economic opportunity and supporting economic development. I refer the committee to the current example of the Highlands green freeport, which aimed to create 10,000 jobs in that economy, yet the local development plan does not acknowledge the housing that will be needed to support staffing there.

Let me be clear. It is not only the housing industry saying this: a lot of industry voices, including from the tourism sector, are saying that the economy is not working because of a lack of housing. Looking at rural housing, and supporting our SMEs to build in rural areas, will be critical to kickstarting housing supply.

11:15

The Convener: Thank you for that comprehensive response. Stephanie Callaghan has a brief supplementary question.

Stephanie Callaghan: My question goes back from rural to urban and picks up on some things that were said yesterday. [*Interruption.*] I am sorry, but my Alexa is going off in the background. I hope that that is not very loud for other people.

North Lanarkshire Council has decided to deal with high-rise tower blocks, because they have residents who are really not keen to live there. Despite building 5,000 affordable homes, it looks as if North Lanarkshire might end up with 1,000 fewer homes. I am not sure whether that issue impacts other local authorities. Do we need to think about creative ways to breathe new life into housing that is not currently attracting residents?

John Mills: I am aware of that particular decision in the context of the HRA business plan in North Lanarkshire. Most other local authorities have said that tower blocks are sustainable. They need investment, and there has been a lot of investment in cladding and other improvements in recent years. Tower blocks are popular with tenants and residents and there is a high degree of ownership in many tower blocks through the right-to-buy scheme.

Local authorities are looking at the economic viability of other types of housing to bring them up to the Scottish housing quality standard. We are always cautious about suggesting demolition to elected members and local communities, but that is sometimes the only solution, because some houses would just not be viable over 30 years.

There are some types of housing, particularly older sheltered housing, that can be made viable if we improve them. We have to look at the opportunities to extend the life of the existing stock and at what investment would be required to do that. That is part of the solution to Scotland's housing shortage.

The Convener: That concludes our discussion of "Housing to 2040".

Before we finish, as I mentioned, we have a few questions, which I know are not necessarily relevant to all the witnesses, about the regulations under the Cost of Living (Tenant Protection) (Scotland) Act 2022. I hope that we can get through those questions quickly, but let us see how we get on.

I will start. I would like to know whether those of you to whom this is relevant agree in principle that the Scottish Government should use its powers to amend the rent adjudication system to smooth the transition away from the rent cap.

Callum Chomczuk: The Chartered Institute of Housing understands the case for introducing amendments after an 18-month freeze on rents in the private rented sector. There is obviously a risk that tenants could be subjected to significant rent increases once the change comes in, so we understand the principle.

However, there is a lot of concern about the approach. Although we understand the need to look after tenants, there has been an incredibly short consultation period, as set out by the Scottish Government, to get us to this point. We took part in the consultation and had a matter of weeks over the Christmas period to respond to the proposal, which does not seem sufficient, given the scale of its impact. It is now mid February and the proposals will be enacted in April, which does not give us sufficient time to communicate with landlords and tenants about what the impact will be.

The calculations are probably far more confusing than those for the existing arrangements, which is understandable. A bandwidth of 6 per cent seems to be acceptable and then that is tapered off up to a cap, which creates complexity and confusion. The Scottish Government's business plan analysis shows that it seems to expect the proposals to have a very modest impact, with only 600 cases coming to rent service Scotland. I suggest that that seems incredibly modest, given the scale of the private rented sector in Scotland.

The intention of the regulations is understandable, but there are lots of questions and we are only weeks away from enactment.

The Convener: Does anyone have anything to add? We have questions that will build on this.

John Blackwood: As you might imagine, we have comments on that issue, so I hope that we can contribute.

The Convener: Yes—it is exactly your thing.

John Blackwood: What has been interesting about the discussion so far is that there are two key messages: we need more housing in Scotland, but landlords and investors need confidence—and nowhere is that more true than in the private rented sector. Our landlords say that they need the confidence to be able to continue to operate their lettings businesses and provide valuable homes for people here in Scotland.

Their concern, and ours as an organisation, is that, although we welcome the measures in the sense that they are a transition from the emergency measures, we were promised that the emergency measures would be short term and that we would come out of that situation. That does not look likely, given the transitional measures that are proposed and being put in place. Our concern, largely, is that the measures are incredibly confusing for tenants as well as landlords. I do not know how either party will be able to understand what it needs to do come 1 April, when it comes to increasing rents.

In our research with our members, they say already that one in 10 properties is no longer financially viable in the private rented sector. That is dramatic. They say that outgoings are far in excess of rental income, and they are concerned about the viability of those businesses. At the moment, more than 50 per cent of landlords say that, within the next five years, they expect to get out of the sector. In the private rented sector, landlords' consumer confidence has gone. We need to rebuild and sustain it, so that we have a sustainable private rented sector for the future, too.

Affordability is key. I emphasise that landlords do not want rents to be unaffordable to tenants because, ultimately, tenants would not be able to pay a rent that goes up out of control. We therefore need to look at bespoke measures to stabilise rents for the future and, at the same time, give that all-important confidence to landlords and investors.

We heard earlier that the rent cap has already damaged investment prospects for institutional investors who want to come into Scotland. The same applies to private individuals who, frankly, cannot afford to continue to be landlords in Scotland. We need to look urgently at that, so that we provide valuable housing for those who are in need.

I have a concern that nobody really understands the measures, because they are so complicated, and that we will have chaos come 1 April.

Pam Gosal: Thank you very much for that response, John. You have spoken about landlords needing the confidence to keep letting, and we have spoken about the fact that there is a big issue right now with the supply of housing. Maureen Chalmers mentioned earlier that people are opting out of being private landlords.

My question is about private landlords and the rent cap. The Scottish Property Federation has warned that the Scottish Government's rent cap has created an affordability crisis, which is what we are speaking about today. Reportedly, rents in Scotland have increased by more than 14 per cent despite the cap, and Scotland is the only part of the United Kingdom in which the number of properties sold by landlords has gone up.

Last year, a report published by the Scottish Property Federation showed that rent controls and political uncertainty were impacting investors. Today, John, you have spoken about that a little.

There is an appetite to fund and build homes in Scotland, and the regulations increase uncertainty. Is increasing investor appetite a more sustainable way to drive rents downwards in the long run, or do we have to re-look at what is coming out in the measures, as you have said, because they are uncertain and unclear?

John Blackwood: As I said, the measures are very unclear, but it is important to look at the bigger picture. How can we get more housing? How can we increase rented housing accommodation in Scotland? The private rented sector has a role to play in that, and I am keen for it to deliver.

We need to understand that the private rented sector is made up of a wide range of players. There are institutional investors, but the majority of private landlords in Scotland own just one or two properties. They are not businesspeople or investors and they are not banks or financial institutions; they are ordinary people like you and me, and they are finding that, through the cost of living crisis, their costs have gone up as well. They are saying that it is unfair that other businesses in Scotland can increase their prices accordingly, but they cannot pass on their increasing costs to their customers, who are the tenants.

That is a real concern for landlords. It is not a level playing field and they feel that the Government is not interested in them. They are saying, "We think that the Government wants to get rid of us." That is fine—they can go and invest elsewhere—but where else are tenants going to find that valuable housing? There is already a lack of accommodation in the social housing sector.

Where else are they going to go to find a rented home? That is the concern in the longer term.

The figures in our research show that, last year, about 22,000 properties were lost to the private rented sector and that one in 10 is no longer financially viable. What does that mean? It means that, over the next few years, more and more landlords will sell, which will put more and more pressure on local authorities to deliver through their homelessness services.

Pam Gosal: You said that you see the sector really suffering in the next five years and that we need to do something. The Government wants to put the rent cap in place but, as you said, most private landlords own only one or two properties, and their mortgages have gone up. They are in a crisis as well, in their own way. We need to have a happy medium. With the rent cap coming in, what do you see as the solution?

John Blackwood: There is probably a form of solution. I go back to the earlier discussion about bringing empty homes back into use. We have landlords who are actively saying that they would still invest in the private rented sector but that there are fiscal issues. They say that, from a taxation point of view, it is very difficult for them to continue to invest in the private rented sector. The additional dwelling supplement and all the other costs add to what landlords need to pay out in order to invest in and deliver accommodation, and they are saying that even new investment is no longer financially viable.

Could we do something with those landlords who are prepared to provide affordable accommodation? I think that we could. The Government could look at innovative solutions to meet the short-term need to find new accommodation in the next one to five years. That is part of the solution, but there is an overall feeling among private landlords that, actually, the Government wants to get rid of them—that it does not want them to be operating in the sector at all. That is evident in the legislation that is coming out from the Scottish Parliament, which is led through Scottish Government policy. We need to address that.

For a long time, I have said to ministers that we need the Scottish Government to say, "This is our vision for the private rented sector in Scotland. This is how it should look. This is who should be operating in it and this is who it should serve." We need to have those discussions even though, for many, they will be difficult conversations to have. Many individual landlords who have invested—as I said, they might have just one or two properties—will be looking to exit the sector for a number of reasons. How can we prevent those properties from leaving the rented sector? That is what we should be looking at.

We talked earlier about local authorities having the power to buy properties back. Selling to local authorities has been a problem for many landlords, who have been coming to us and saying, “I’ve got a sitting tenant and I can’t afford to keep them any more because my outgoings are far in excess of the rental income, so I want to get rid of this investment. I no longer want to be a private landlord.” They are thinking, “I don’t want to affect the good tenant that I have, who is paying their rent,” but when they go to the local authority, it says, “I’m sorry, but we’ll only buy the property if it’s empty.” That does not make sense. I am pleased that Scottish Labour and the Scottish Government are now looking at ways to buy properties that have tenants in situ from private landlords.

We need to look at all those issues in order to be able to sustain a private rented sector for the future, but we are not having those conversations. We need to have them.

Pam Gosal: Maureen, you mentioned that people are opting out of being private landlords. Do you have any insight into this?

11:30

Councillor Chalmers: The private sector is vital to the functioning of local housing provision systems. We need it because when people come forward, they need their housing options, and those look different for different people. A good, vibrant private rented sector is important.

Some local authorities are taking steps—as my own did—to change the approach. For example, if a private sector landlord was saying, “I don’t really want to do this”, they could say, “Approach the council.” There are wee sticky bits that may need to be worked through, but there was an open offer if people wanted to do that, and that increased approaches from people locally. Different local authorities are taking different approaches, but those are the bits of good practice that we want to bring into our special interest group.

I am obviously aware that rent increases have caused a lot of pressures for people, and we need to get the right solution to that. However, to go back to what Callum Chomczuk said, I am not sure where the particular proposal that we are discussing came from or what the thinking behind it was. It seems to be quite complex, so I am keen to understand more and look at how it can be explained a wee bit more.

In addition, we think that an automatic right to adjudication is critical for tenants in whatever system we bring forward. We need a good system, and we need to try to protect rents for people, in particular in a cost of living crisis, but we also need

to think about the whole process and make it a wee bit simpler for folk.

The Convener: Before I bring in the next person, I ask for succinct answers, please, because we have gone over time quite considerably. We were hoping that this bit was going to be quick, so I ask colleagues to have a look at the questions that they want to ask and see whether any of those have already been answered sufficiently.

Jane Wood wants to come in.

Jane Wood: The proposals need to be looked at within the bigger picture of where we are on housing supply. Ultimately, the proposed regulations are very confusing; the Government is obviously looking to its forthcoming housing bill to deliver the next iteration.

With the draft budget and the forthcoming UK budget, that housing bill—as I said earlier—will need to be revisited. We have data points that provide evidence that the emergency regulations and the proposed rent cap are ultimately going to affect housing supply and whether Scotland is seen as a place in which to invest.

The Convener: I will bring in Willie Coffey now.

Willie Coffey: In the past few weeks, the question of the numbers of landlord registrations has been asked and answered in the chamber. The figures that we have to date suggest that the numbers actually increased between August 2022 and November 2023. I know that that contradicts what John Blackwood said a moment ago, but once we see the figures, we will know the full picture.

However, we should not forget that the reason for the proposed measures is to try to prevent a situation in which people fall off a cliff edge into unaffordability, thereby creating more homelessness. The question is simple. Are the proposed limits—a lower limit of 6 per cent and an upper limit of 12 per cent—fair and reasonable? Do colleagues have a view as to whether those figures are fair and adequate?

Perhaps John Mills can go first.

John Mills: I think that you know what I am going to say. Regardless of that, we need to look at the fact that many landlords have not increased their rents for a considerable number of years. That is the norm within the sector, rightly or wrongly—that is the way in which landlords have been operating. When the cost of living crisis came along, everybody was affected by that, and landlords suddenly realised, “Actually, I don’t have enough money coming through in rent to pay these outgoings.” The option to increase rent was no longer there—it was frozen, and then it was restricted to 3 per cent.

In our research with members, we asked them, “What do you need, in today’s money, as an increase on your tenant’s rent?”, and they said that it would be in excess of 18 per cent. That is what they feel that they would need to get in order to break even. Of course, that includes regulation costs, costs for tradespeople and mortgage costs.

Being able to get up to around 12 per cent, if that is possible, would be welcome—it is far better than 3 per cent—but many landlords are saying that it is not enough. As I said earlier, for some landlords, the cap means that a property is no longer financially viable, so they need to get rid of that property. For some people, the proposed changes will be too late.

Willie Coffey: Are there any other views on the proposed lower limit of 6 per cent and upper limit of 12 per cent for rent increases, or on the taper mechanism?

If not, that is fine.

The Convener: I will now bring in Stephanie Callaghan, who is online.

Stephanie Callaghan: We know that rent service Scotland and the First-tier Tribunal for Scotland housing and property chamber will consider comparable open-market data before making decisions on the rent increases that can be made. How reliable is that data in allowing rent officers and the tribunal to make those informed decisions?

The Convener: Does anybody have any thoughts on that? I am beginning to wonder whether this is the right group of people for these questions.

John Blackwood: I hold a public appointment as a member of the housing and property chamber of the First-tier Tribunal for Scotland, so I do not think that it would be appropriate for me to comment on the tribunal’s findings.

From the perspective of the Scottish Association of Landlords and private landlords, we believe that rent service Scotland has been able to assess the market in the past. Indeed, it has even approached us for some additional information, so that we can go to our members and ask them for details on passing rents. It has helped to be able to give a good foundation for what rents are actually being charged in Scotland and what the market might be. We have worked in partnership with rent service Scotland in the past, and we hope to continue to do so in the future to ensure that the data and the intelligence that it has are as good as they possibly can be.

The Convener: We were expecting to have another person on today’s round table, who would have had another perspective on this subject, but

we are missing a bit of input on these questions, unfortunately.

Brian Whittle: My question will follow on from what has been said. I am concerned about the limits of 6 and 12 per cent and the fact that the proposed system will be problematic for the understanding of tenants and landlords, as has been mentioned. It is my understanding that, although there was a rent cap of 3 per cent, when a tenant moved out and another tenant moved in, that caused a huge hike in rents. If we go to adjudication and we find that there has been a huge rent hike in comparable properties—we know that increases have been 14 per cent on average, even though it is supposed to be only 3 per cent—that suggests to me that rents for those properties that have changed hands have gone up by 13, 14 or sometimes 15 per cent. If the way in which we adjudicate rent increases takes into account comparable properties, are we causing ourselves huge problems?

John Blackwood: That has always been the case. Any rent assessment would consider the market rent, less any deductions. It would take into account scarcity, and inspections of the property would be carried out to ascertain whether property A is comparable to property B, for instance. There are robust measures for assessing that.

You are right, however, that the rent could go up considerably. The norm is that landlords do not put up the rent on an annual basis. When it comes to the market, they will consider what they should be charging, and they will mark the rent up accordingly. That is when we see the hikes in rents. That is not paid by existing tenants, of course; it would be paid by new tenants choosing to rent the property.

There is indeed an issue there. We also need to understand that the Scottish Government is considering controls between rent levels—between tenancies—and it would be up to a future housing bill to consider how that would work.

Ultimately, we need to think about whether landlords will need to invest in properties, too. It is in the void periods when we would expect landlords to invest in and upgrade their properties. If they do not see that the money is there through rent increases, we will see a further deterioration in the quality of accommodation, which is in nobody’s interest.

Brian Whittle: Unless anybody else wishes to add something, I am happy to leave it there.

Marie McNair: I want to follow up on a previous comment that Callum Chomczuk made, to see whether I picked you up right. Do you think that rent service Scotland and the tribunal will have the capacity to deal with the challenge that might come?

Callum Chomczuk: When there have been changes regarding the tribunal in the past, we have always found that the demand placed on it has been underestimated. We might look at history to try to predict the future, but we can also anticipate certain aspects. The Scottish Government's assessment, which suggests that there will be a total of only 600 applications through rent service Scotland, seems modest. Considerable resources will be required to carry out property inspections and examine the marketplace so as to give confidence on it. I imagine that there will be more applications.

However, that is all conditional on tenants and landlords understanding the changes that are coming down the line. Because we are running so close to 1 April, there is not yet clarity on them. However, intuitively, I feel that 600 applications seems an incredibly modest figure. I anticipate that we will see more pressure being placed on rent service Scotland.

Mark Griffin: I will wrap two questions into one. The regulations continue only the rent control element and not the evictions element. Will that have an impact on the levels of evictions and homelessness? What are your expectations and ambitions for the housing bill on rent controls? What do you hope to see the Government propose as a long-term approach to those?

John Mills: I will come in on the first aspect; I will not address the second. Most local authorities are making contingency arrangements for an increase in homelessness applications coming from private rented sector tenants, as well as approaches from landlords who want to sell properties. That is happening just now. We anticipate that, after April, there will be additional pressure from tenants leaving that sector either voluntarily or involuntarily, which will put extra strain on homelessness services.

Callum Chomczuk: On Mark Griffin's second point, we have fundamental concerns about rent controls. Parking those to one side for a minute, if we have a system that comes into place in Scotland, we need to have at its heart data on and evidence of genuine rents. We do not have those, and it will require some time to build them up.

We will also need local flexibility and control. We need decision makers at local authority level to determine appropriate rent levels, rather than having a national determination. Through the proposed system, we will have a national determination that up to 6 per cent is okay, and that there is potential flexibility up to 12 per cent. However, that does not reflect the nuances of the housing market across Scotland, in which there are spikes and calmer periods. If we get to a point where we have permanent rent controls through

the normal legislative process, having local determination will be absolutely crucial.

John Blackwood: I will add to that. Having rent data will be crucial to our making any determination on future rent control policy. It is very strange that we are trying to find a solution without first fully understanding the problem. Let us understand what rents are being charged and where there are issues. Let us look at implementing local measures for dealing with those before we think of having national legislation, which might not be warranted at the end of the day. We should examine what rents are being charged before we make decisions that will have long-term implications for the housing sector in Scotland.

The Convener: This has been a constructive meeting. I thank our witnesses for joining us and for letting us ask questions on the regulations. It has been helpful to hear your sense of what the housing to 2040 strategy means and your understanding of what will be needed to deliver it.

We previously agreed to take the next three agenda items in private. As that was the final item on our agenda to be taken in public, I now close the public part of the meeting.

11:44

Meeting continued in private until 12:45.

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The deadline for corrections to this edition is:

Monday 25 March 2024

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

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