



Glasgow and West of Scotland
Forum of Housing Associations

GWSF Briefing note on rent freeze and evictions moratorium in Cost of Living (Protection of Tenants) (Scotland) Bill: Emergency Bill motion, Stages 1, 2 and 3 – debated on 4, 5 and 6 October

Key message: GWSF's 63 member associations can live with a rent freeze until 31 March 2023, but any state intervention in *social* housing rents thereafter would be unnecessary and disproportionate, and would represent a fundamental shift in the long-standing relationship between associations and the Scottish Government.

Associations have a long track record of taking a moderate and responsible approach to rent increases in consultation with tenants. Any imposition of rent controls on the social sector from 1 April would seriously undermine social landlords' investment in pursuit of Net Zero and the Scottish Government's new homes target.

This briefing comments on the Emergency Bill lasting until 31 March 2023, and then signals GWSF's concern about the impact of any extension of the legislation beyond this date if it is applied to the social rented sector.

GWSF recognises the Scottish Government's wish to protect people as far as possible from the worst impacts of the cost of living crisis. The crisis is a huge issue for our sector too. As community based housing associations our members know that tenants and others in their community are seriously affected by the crisis, and local associations are engaged in a range of activities aimed at supporting people through these incredibly difficult times.

Lack of opportunity to scrutinise the Bill

It is unhelpful and disappointing that there will be very little time to scrutinise the draft Bill. Given that the measures are to apply retrospectively from 6/9/23, it is hard to understand why the Bill is being tabled and debated with such haste.

The rent freeze and evictions moratorium until 31 March 2023

With most social sector rents not now due to increase until April 2023, the impact of a freeze until 31/3/23 is very limited, with the Scottish Government's focus being primarily on preventing increases in the private rented sector in the coming months.

Unless expressly excluded, pre-1989 'Fair Rents', of which a few thousand remain in Scotland, will be affected where the review date falls before 31 March 2023.

And it is unclear whether service charges – which are usually intended to just cover the actual cost of essential maintenance and safety-related works relating to specific homes – will be affected by the freeze. We would argue strongly for their exclusion.

The freeze, along with the uncertainty about what the position will be from April, will make the process of (statutorily) consulting tenants on the next rent rise very challenging and confusing. It is evidently difficult to seek tenants' views when there is a threat of rent increases being prescribed or prohibited.

On the evictions moratorium, we welcome the assurance that evictions for serious anti social behaviour are not to be included. But as we have stated previously when arrears evictions were put on hold during Covid, such a moratorium tends to benefit only those tenants who are refusing to engage with their landlord's efforts to contact them about their arrears: tenants who do engage are not the ones who are subject to recovery action.

On the back of measures to prevent and reduce evictions during Covid, this further moratorium will have significant financial consequences: one member association has advised us of a tenant who currently owes £14,000 – a sum that will only rise further during the new moratorium.

Potential rent freeze or rent cap from 1/4/23

The Forum strongly believes it would not be appropriate for the Scottish Government to intervene in social landlords' rent setting from 1/4/23.

We strongly welcome the assurance we have been given that the legislation will make provision for the social housing sector to be treated differently from the private rented sector (PRS). This is critical, and would allow – as an example – for a rent freeze or cap in the PRS from April 2023 but no intervention in social sector rents. We are constantly being told by ministers that the main issues are in the PRS, and yet so often social landlords are subject to the same legislation: this is not a proportionate approach.

Rents must always balance affordability with the need for high quality services and ongoing investment in existing homes and – for many associations – providing new homes. Freezing rents, or capping increases at very low levels, for just one year would remove £ millions from an association's 30-year investment plans. The knock-on effect on the sector's capacity to meet Net Zero retrofit targets would be huge. This is an example:

- Housing association with 2,500 units: rent is £4,000 pa - £10m rental income
- Despite inflation being at, say, 12% in April 2023, it decides (in consultation with tenants) on a 6% increase, which will already mean investment cuts
- A SG rent freeze is imposed, meaning the HA cannot increase rent by 6%

- So £600,000 income from the aborted 6% increase is lost in year 1, equating to over £20 million when compounded over 30 years
- Replicated across the social sector, this removes around £480 million which would otherwise be invested in Net Zero and other improvements.

Just as importantly, intervention in setting social rents after 31/3/23 would be the first time any Scottish administration has taken this step. It would be received by our member associations as a signal that they are not trusted to come to sensible, proportionate and balanced decisions in consultation with tenants.

The social sector is profoundly different from the private rented sector. Hard evidence demonstrably indicates that social landlords can be trusted to make reasonable and proportionate decisions on rent rises in consultation with tenants. The [Scottish Housing Regulator's September 2022 report](#) found that even though inflation in April 2022 was 9%, average rent increases were just under 3%.

These low increases in April 2023 came on the back of very low increases or self-imposed rent freezes during Covid, again clearly showing the sector's ability to act reasonably when the circumstances require it.

Over the years, self-policing of rents – supported by Scottish Government new build grant levels – has led to average housing association rents in Scotland being 40% lower than in England.

Discretion to set rents as individual associations is essential: some associations with historically low rents may need to increase rents more than other associations do to ensure there is sufficient money to invest in homes in the coming years.

Another adverse impact of freezing or capping rents is that Scotland would relinquish hundreds of millions of pounds of UK benefit income used to support rent payment for around 65% of social housing tenants.

Conclusion

GWSF is not calling for changes to the emergency legislation as it applies until 31/3/23. But state intervention in our sector's rents after 31/3/23 would set a very worrying precedent, would savage plans to invest in existing and new homes, and would be wholly unacceptable to our member associations.

Contact GWSF

GWSF Director David Bookbinder would be happy to discuss the issues around the position post 31/3/23 with any MSP: please email david.bookbinder@gwsf.org.uk or ring 07936 152193.