

Cross-Party Group on Housing

7 December 2021, 18:30-20:00

Minute

Present

MSPs

Graham Simpson MSP

Elena Whitman MSP

Ariane Burgess MSP

Emma Roddick MSP

Mark Griffin MSP

Invited guests

Frank Caldwell – Ministry of Defence

Keith Baker – Glasgow Caledonian University

Craig Sanderson – Link Housing (retired)

Non-MSP Group Members

Josh Hill – Parliamentary staff

Ken Gibb, Gareth James and Mark Stephens - CaCHE

Andrea Finkel-Gates and Jim Hayton – Scotland's Housing Network

Alice Simpson – Homes for Good

Ashley Campbell – CIH Scotland

Ben Parker – Housing Options Scotland

Megan Bishop and Gordon Maloney – Living Rent

Carolyn Lochhead and Corrie Innes - SFHA

Colette McDairmid – MND Scotland

David Aitchison – Shelter Scotland

David Petrie – Age Scotland

Deborah Hay – JRF

Emma Doyle and Michael Tornow – Public Health Scotland

Jasmine Harris and Rhiannon Sims - Crisis

Jennifer Kennedy – Homes for Scotland

John blackwood – Scottish Association of Landlords

Marjorie Cuthbert – Glasgow Centre for Inclusive Living

Neil Clapperton – Lochalsh & Skye Housing Association

Norrie MacPhail – Individual

Richard Holland – Taylor Wimpey

Stephen Connor – Tenants Information Service

Steven Tolson - RICS

Tony Cain – ALACHO

Apologies

Alasdair Cameron and Sam Foster – Rural Housing Scotland

Stephen Young – Scottish Land & Estates

Freya Lees – North Star Consulting & Research

Gordon Nelson – FMB

Renzo Cardosi – Y People

Ben Hall – Shared Living Plus

Catherine Wood – Individual

Andrew McCall – Salvation Army

Agenda item 1: Welcome

Graham Simpson MSP opened the meeting with a reminder of the aims/ purpose of the CPG; principally to produce tangible, evidence-informed, policy-relevant outputs.

Agenda item 2: Minutes and Matters Arising

Ken Gibb moved a motion that the minutes from the previous meeting be received.

Graham Simpson MSP seconded the motion.

No matters arising.

Agenda item 3: Rent Controls and Formation of a Working Group

Ken Gibb gave a presentation based on a 2-year study on rent controls by the UK Collaborative Centre for Housing Evidence (CaCHE). Slides will be circulated with minutes. The main points include:

- Three broad types of rent control: first generation (nominal rent freeze connected to non-price regulation); second generation (linking rent increases to inflation); third generation (rent “stabilisation”, within a tenancy rent increases limited by statutory rule, but can increase in-between tenancies). Most forms of rent control are third generation.
- Important to recognise that rent regulation interacts with non-price regulations and too often economists/social scientists don’t take this into account.
- General points from the reading of grey literature: 1) important to stress context, history and institutions within which rent control proposal to be enacted. Hard to generalise and replicate; 2) the economic analysis that dominates literature is based on conventional market-based welfare economics and makes assumptions about competitive rental markets which affects efficacy of arguments for and against rent controls.
- Theory: Theoretical work by Arnott and others challenges conventional economic theories which suggest supply shortages as a result of first generation controls being set below equilibrium price. Arnott: if market more

imperfectly competitive there would be surplus profits and moderate rent controls would be welfare enhancing. Parallels with theoretical development on minimum wage and unemployment. Thus, empirical counterpoint – how competitive are rental markets in reality? Problem with literature: it's not difficult to use different assumptions to generate desired outcomes. Arnott tries to use more grounded empirical assumptions and gets different results for rent controls. So issues of theory are important.

- Empirical evidence: most comes from USA and Canada, specifically California, Oregon, New Jersey, New York. Meta review by Turner and Malpezzi was starting point for CaCHE work. Different conclusion across empirical studies. Longer run studies from NJ show negligible negative effects of third generation controls; Ed Glazer, NY, technically sophisticated analysis but with some strong assumptions, shows negative welfare effects; others suggest negative supply effects. A number of empirical economists have tried natural experiments and look at spatial effects of rent controls. The latter show that rents can increase in areas adjacent to areas where rent control are implemented.
- Social policy/social science literature suggests that economists need to improve the way they conceptualise the interactions between housing markets and politics/ideology/institutions of the time etc.
- Some concluding points: 1) Mainstream and housing market economists/researchers see housing markets differently. Latter more comfortable with third generation rent controls; 2) We live in an imperfect world, imperfect markets etc. so rent controls and other regulations don't always do what they set out to do; 3) Econometrics/statistics have improved, but analysis often still sits on foundation of questionable assumptions about how housing markets operate; 4) Introducing rent controls can be seen as preferable option because e.g. easier or less costly than other interventions, but that alone doesn't make it a good policy.
- Empirical questions: 1) how competitive are rental markets in Scotland? 2) how realistic are the counterfactuals presented by those opposed to rent controls (i.e. demand/supply subsidies)?
- Advice to Government: 1) before considering rent control interventions, develop clear vision for the sector; 2) construct an empirical sense of how the rental market actually works – how competitive is it, what data are there? 3) if the steer is towards third generation rent stabilisation – what is the trigger, what is the sunset clause, how will this interact with other regulations and other parts of the sector?

Questions and discussion

- Ashley Campbell noted that Scottish Government focus on affordability/rented strategy covers both private and social rented sectors and asked if the CPG will focus only on rent controls in the PRS. The CPG will focus on PRS.
- Gordon Maloney asked if there's any evidence to suggest that stricter regulation of private tenancies might encourage landlords to switch to short-term lets where regulation is lighter. Ken noted that subsectors of housing market are interlinked and interventions in one area can have spillover effects in another, hence need for baseline on empirical reality of markets and how they are interdependent.
- Tony Cain noted that it is difficult to say what impact rent controls might have without first having a clear vision of what the housing system should look like.

- Carolyn Lochhead asked about the wider societal impact of rent controls on e.g. poverty and inequality, or fuel poverty. Ken referred back to the role of welfare regimes, institutions, how these impact on overall welfare, noting that we do not measure the impact on those excluded from the housing system. There is a danger that we look at the direct targets of rent controls, without looking at the indirect effects which might include welfare losses for some.
- Megan Bishop asked about the impact of rent controls on housing quality, and specifically whether a points-based rent control system might incentivise better maintenance. Ken pointed to a mixed evidence base. Some evidence from North America suggests maintenance issues as landlords cut costs, but also evidence to show increases in maintenance by landlords and tenants. Dutch evidence says well designed policy can incentivise good quality outcomes. Evidence therefore does not clearly point us in one direction re: policy.
- Jim Hayton asked for assurances that the CPG will consider both the costs and benefits of rent controls and avoid taking a political stance. Ken also echoed the need for a range of views to be represented and not to strive for consensus. Graham Simpson MSP confirmed that is the nature of the CPG. Ashley Campbell said there's a form of words in previous CPG report to this effect which could be used again. Jim noted the value of the PGs previous work on tenement maintenance.
- Alice Simpson (in the chat) "I think it is important that we look at the unintended consequences of a rent control, and this could be looked at in the context of the LHA rent freeze that was in place for a number of years. This led to tenants accessing welfare being forced to live in the furthest outskirts of the city, where they were able to access properties that they could afford. It was also the case that this lack of choice led to tenants having restricted access to the market therefore were forced to live in substandard accommodation. I think it is really important that we look at how the impact of a rent control will impact those with the quietest voice that are also some of the most vulnerable in our society."

Formation of a working group

Graham Simpson MSP invited members to form a working group on rent controls. The following members expressed an interest in joining the working group:

- Ashley Campbell
- Jim Hayton
- Gordon Maloney
- Alice Simpson
- Carolyn Lochhead
- John Blackwood
- Rhiannon Sims
- Deborah Hay

Frank Caldwell suggested someone from e.g. Housing Options Scotland might like to join to represent members of the Armed Forces (as well as disabled people and older adults). Ben Parker (representing Moira Bayne from Housing Options Scotland) will follow up after the meeting.

The aim is to produce a report within 6 months.

Agenda item 4: Applications for Membership

The following organisations/individuals applied to join the CPG:

- Homes for Good (approved)
- Scotland's Housing Network (approved)
- Lochalsh and Skye Housing Association (approved)
- Archie Rintoul (approved)
- Weber Shandwick (deferred until a representative can attend next meeting)
- MND Scotland (approved)

Agenda item 5: AOCB

Graham Simpson MSP encouraged members to share ideas for topics for future meetings. The following ideas were tabled:

- *Accessible housing.* Colette McDairmid noted that MND Scotland will publish a report in Feb 2022. Steven Tolson and Marjorie Cuthbert also expressed an interest in this topic.
- *Poor data.* Tony Cain and Andrea Finkel-Gates highlighted need to look again at what data we collect, why and how it is used. Jennifer Kennedy and Richard Holland noted the lack of reliable data on housing need and demand, in particular.
- *The right to adequate housing.* Tony Cain and David Aitchison said we need to be able to define and measures "adequate". Ashley Campbell flagged upcoming CIH report on this.
- *NPF4.* Steven Tolson, Jennifer Kennedy, and Richard Holland highlighted the need to consider the implications of NPF4, which was described as the "largest vehicle for delivering Housing to 2040". Elena Whitman MSP and Ariane Burgess MSP gave an update on the Local Government, Housing and Planning Committee's work on NPF4 and confirmed that the Committee would like to receive feedback from the CPG. Steven Tolson noted the Committee want representations in by 10 January 2022. Ariane Burgess MSP highlighted an online event on 7 February which would provide another opportunity for the CPG to engage with the committee. Graham Simpson MSP suggested that we might select 2-3 members to participate in that event.

Three topics were chosen for discussion at future meetings: rent controls; accessible housing; and NPF4.

Steven Tolson volunteered to go back to the CPG's report on Housing to 2040 to ensure consistency in messages across previous and new outputs with regards to NPF4.

Agenda item 6: Next meeting

February 1, 2022