

Agenda Item	6.
Report No	CLH 03/19

HIGHLAND COUNCIL

Committee: Care, Learning and Housing Committee

Date: 24 January 2019

Report Title: Private Housing (Tenancies) (Scotland) Act 2016: Rent Pressure Zones

Report By: Director of Community Services

1. Purpose/Executive Summary

- 1.1 The Highland Council meeting in October 2017 agreed that the Council should examine the feasibility of applying for a Rent Pressure Zone for Inverness and any other community in Highland facing similarly expensive rents.
- 1.2 The Care Learning and Housing Committee considered a report on 30 May 2018, and agreed:
 - To continue dialogue with other Councils, COSLA, and Scottish Government officers in developing a common approach to research and data collection that would support successful applications for Rent Pressure Zones; and
 - That discussion take place locally with Ward Members, where requested, to discuss specific local issues of affordability in the Private Rented Sectors that might help in identifying specific locations in which to target evidence gathering in future.
- 1.3 It was also noted that it will take time and resources to develop the evidence base to support applications in Highland, and that there is no specific budget provision for this.
- 1.4 This report provides an update on both national discussion and local Member consultation, and makes recommendations of future action.

2. Recommendations

2.1 Members are invite to :

- i. Agree that the Council continues to participate in joint discussion with COSLA and other Councils considering Rent Pressure Zone applications;
- ii. Agree to promoting the existing right of individual private rented tenants to challenge rent increases by requesting an independent assessment by Rent Officers; and
- iii. Note that officers will monitor the emerging Planning (Scotland) Bill 2018 in relation to potential changes to legislation for short term holiday lets, and will arrange discussion with local Members where there are likely to be implications.

3. Background

- 3.1 The Private Housing (Tenancies) (Scotland) Act 2016 came into force in December 2017.
- 3.2 It includes provisions aimed at enhancing security for tenants by abolishing the Short Assured Tenancy, which allowed tenancies to be terminated at the end of the term without specific grounds.
- 3.3 The legislation creates the new 'Private Rented Tenancy' (PRT). All new tenancies granted from December 2017 are 'Private Rented Tenancies'. Existing Assured, Short Assured and other previous private sector tenancies will continue.
- 3.4 For Private Rented Tenancies, landlords will be unable to increase rents any more than once per year and will have to provide three months' notice when doing so. A tenant will also have the option to challenge a rent increase if they think it is unreasonable. 'Appeals' against rent increases can be made to the Rent Officer who can then determine a 'fair' rent. The Rent Officer's decision can also be subject to appeal to the First-tier Tribunal for Scotland (Housing and Property Chamber).
- 3.5 The new tenancy regime also allows a Council to apply to Scottish Ministers to designate 'rent pressure zones' (RPZ's) which would cap rent increases (normally at the Retail Price index +1%) for any existing tenants in specific locations which they determine as having been subject to excessive rent increases in recent times.

4. Local Consultation

- 4.1 Discussion has taken place with Members in Badenoch and Strathspey, Nairn, Lochaber, Inverness (Central Ward) and Caithness.
- 4.2 Members were able to consider the key features of Rent Pressure Zones in relation to local housing markets.
- 4.3 The key features are as follows:
 - Rent Pressure Zones can only apply to a tenancy granted as a 'Private Rented Tenancy' (i.e. after 1 December 2017), and not to Assured / Short Assured or

other previous legal private sector tenancy types; and

- The protection would only apply to rent increases for existing tenants who have a Private Rented Tenancy. They do not limit or control the level of rent charged for new tenancies or 'relets'.

4.4 It was also noted that there is a formal application process seeking Ministerial approval for the designation of a Rent Pressure Zone. Applications need to provide:

- a profile of Private Rented Sector properties in the proposed area, including details such as house type, size, age, location etc.;
- details of the rental profile of any area and how this has changed and contributed to rent rises, including rent data to evidence a rent rise; and
- rent data specifically relating to existing tenants who have had a rent increase in the same property. The rent data must be representative of the property profile and must assess the impact of the rent rise on tenants.

4.5 All of this data and information must together provide clear evidence that:

- rents payable within the proposed Rent Pressure Zone are rising by too much; and
- the rent rises within the proposed zone are causing 'undue hardship' to tenants; and
- the local authority is coming under increasing pressure to provide housing or to subsidise the cost of housing as a consequence of the rent rises within the proposed zone.

4.6 A successful application for a Rent Pressure Zone would limit rent increases for existing tenants to the Consumer Price Index (CPI) + 1%.

4.7 Discussion confirmed that there are issues associated with access to and affordability of the private rented sector in Highland. These relate partly to the growth in the holiday let / Air B&B market and the impact that this has on the wider private rented sector. There are related issues about affordability of private sector rents, particularly for lower income households, and a widening gap between even lower quartile rent levels and Local Housing Allowance (LHA) rates, which limit the help lower income households can receive for housing costs. This is illustrated in the table below:

Property size	LHA 2015-2020	Broad Rental Market Area rents		Advertised rents
	per month	Lower quartile (monthly)	Median quartile (monthly)	Monthly
1 bed shared rate (applicable to <35s)	£236	n/a	n/a	n/a
1 bedroom	£367	£400	£475	£550
2 bedrooms	£443	£500	£550	£685
3 bedrooms	£520	£595	£695	£790
4 bedrooms	£641	£693	£825	£1,100

4.8 However there was an acknowledgement that these issues were unlikely to be

addressed through Rent Pressure Zone applications.

- 4.9 Further discussion is to take place with the Cairngorm National Park Authority to consider any specific issues affecting the private rented sector in the Badenoch and Strathspey area.

5 Cross Authority Working

- 5.1 Councils that have expressed an interest in considering Rent Pressure Zones are continuing to meet to discuss issues associated with data collection and evidence. The lack of national data on private rented sector rents and length of tenancy is a major constraint on the ability to gather and present robust evidence on rent increases. Existing data, where available, is at a regional level and based on analysis of advertised rents. Even with access to data on annual rent increases being applied to existing private rented tenants (i.e. whose tenancies started after December 2017), it is estimated that it could take upwards of 3 years before the evidence base for a Rent Pressure Zone could be established.
- 5.2 Discussion nationally has therefore been focussed on considering whether we could develop a shared methodology for evidence gathering. This is likely to rely on agreement with private rented sector landlords and agents to share data on rents. This is more of a challenge in Highland, compared for example with Glasgow and Edinburgh, due to the nature of private rented sector activity, and the volume of data available through major letting agents. The nature of the private rented sector in Highland, and particularly in more rural areas, makes data collection more challenging.

6 Future Approach

- 6.1 The application process and criteria involved for achieving designation of a Rent Pressure Zone are rigorous and will have resource implications for the Council. Applications require a firm evidence base. However there is no local or national reporting / existing published data on the evidence required. Rent Pressure Zones may not, in any case, address issues of access and affordability locally.
- 6.2 Rent Pressure Zones are not the only method available to address excessive rent increases. Private rented tenants have an existing right to challenge rent increases by requesting an independent assessment by Rent Officers (independent statutory officers appointed by Scottish Ministers). We may be able to address issues on an individual basis through promoting and supporting tenants to challenge rent increases where appropriate, and we will be taking that forward as part of our Rapid Rehousing Action Plan, approved by the Committee in December 2018.
- 6.3 Issues of short term holiday lets are likely to be considered as part of the Council's response to the Planning (Scotland) Bill 2018. The third stage of amendments to the Bill are due to be heard by Scottish Parliament in early 2019 and officers will monitor progress carefully and advise Members where it is felt there may be implications for our planning policies or for particular communities.

7. Implications

- 7.1 Resource - There would be resource implications for the Council in researching and developing the evidence base to support applications for Rent Pressure Zones in Highland. There is no current budget provision for this work.

- 7.2 Legal - There are no specific implications arising from this report.
- 7.3 Community (Equality, Poverty and Rural) - Rent Pressure Zones are a mechanism for addressing unaffordable rent increases in the Private Rented Sector, which may have a disproportionate impact on equality groups or rural areas.
- 7.4 Climate Change / Carbon Clever - There are no implications arising from this report.
- 7.5 Risk - Resources expended on developing the evidence base for Rent Pressure Zones may not support successful applications.
- 7.6 Gaelic - There are no implications arising from this report.

Designation: Director of Community Services

Date: 11 January 2018

Author: David Goldie, Head of Housing & Building Maintenance

Background Papers: [Scottish Government Guidance on Rent Pressure Zones](#)