

Rent Pressure Zones: a failed policy

Andy Wightman MSP

Member of the Scottish Parliament for Lothian region

Introduction

The Private Housing (Tenancies) (Scotland) 2016 Act granted Scottish councils the power to ask Scottish Ministers to designate a Rent Pressure Zone (RPZ). An RPZ is an area within which tenants with private residential tenancies cannot have their rent raised by more than CPI plus 1% each year, for a duration of 5 years.

To date, no council has made a formal application for an RPZ. This is not because councils are unaware of the problems faced by private tenants in their areas. It is because the legislation contained fundamental flaws that have prevented councils from gathering sufficient evidence to submit a request for an RPZ to be established.

This short briefing paper looks at the background to the RPZ legislation, examines the work councils have done since the 2016 Act and makes recommendations for change.

Why Rent Pressure Zones?

Rent regulation has many different forms. Controls can be placed on rent rises, or on maximum rents. Controls can depend on location or length of tenancy; on whether a tenancy is new or pre-existing. Controls on rent rises can be pegged to inflation; to wages; to market rents. The United Kingdom has a long history of rent control in response to emergency situations – usually beginning with blanket controls that become increasingly complex over time before being removed.

The Scottish Government's stated intention behind the design of RPZs was to¹:

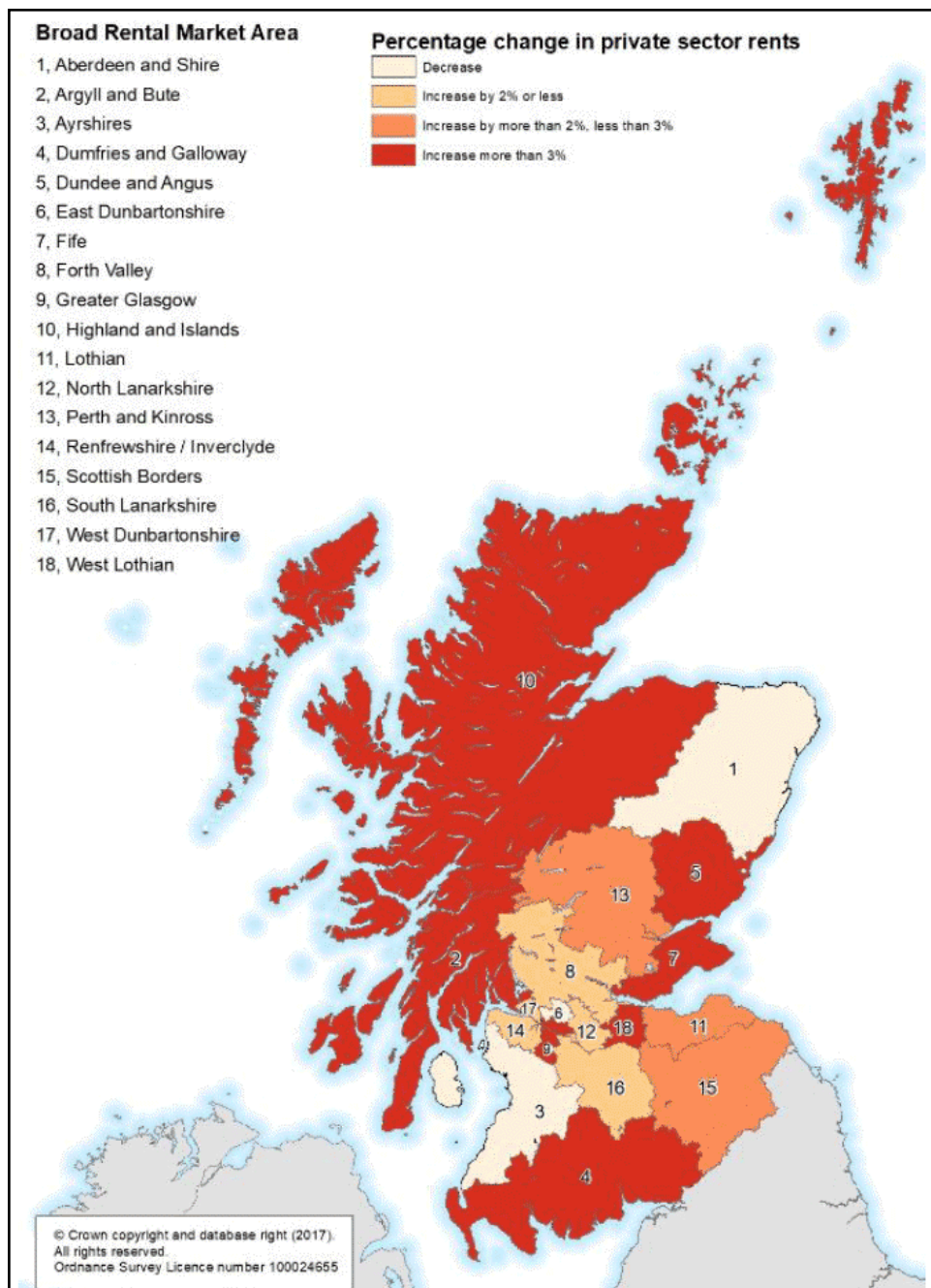
- Protect existing tenants with a private residential tenancy from rent rises
- Inspire confidence in investors
- Allow property improvements to continue as landlords could recover costs to reflect improvements made to the property
- Prevent initial rents for new tenants being affected by the rent cap
- Ensure that the private rented sector remained attractive for those living, working and investing in it

¹ <https://www.gov.scot/binaries/content/documents/govscot/publications/advice-and-guidance/2017/11/rent-pressure-zone-rpz-application-requirements-local-authorities/documents/00527741-pdf/00527741-pdf/govscot%3Adocument/00527741.pdf>

Rising rents: a localised problem

There are a multitude of rental markets across Scotland, with different patterns of tenure, different demographic profiles and different costs.

Lothian and Greater Glasgow have seen average rents increase above the rate of inflation between 2010 and 2019 for all property sizes. On the other end of the spectrum, Argyll and Bute, Dumfries and Galloway and North Lanarkshire have all seen average rents rise at less than the rate of inflation².



Burden of proof

When applying for an RPZ, local authorities must set out their reasons for requesting an RPZ as well as provide supporting evidence. That evidence must be “robust”. It must convince Scottish Ministers that:

- 1 rents payable within the proposed RPZ are rising by too much
- 2 the rent rises within the proposed zone are causing undue hardship to tenants
- 3 the local authority is coming under increasing pressure to provide housing or subsidise the cost of housing as a consequence of the rent rises within the proposed zone.

The evidence provided must also match the size of the RPZ – that is, if the RPZ will cover a single street, the local authority has to provide data about rent rises on that street.

Figure A: Change in average (mean) rents for 2 bedroom properties between 2018 and 2019, Scottish Government Private Sector Rent Statistics, Scotland, 2010 to 2019

2 <https://www.gov.scot/publications/private-sector-rent-statistics-2010-2019>

The limitations in existing data sets have been cited as one of the main concerns from some councils. The Convenor of the City of Edinburgh’s Housing, Homelessness and Fair Work Committee said that the City of Edinburgh Council is working with other councils and the Scottish Government to develop a methodology for gathering the data to make the case for implementing rent pressure zones³.

Case study: Rent Pressure Zones in practice – Ireland

Scotland is not the only country to identify Rent Pressure Zones as a useful policy tool for dealing with rent hotspots. In Ireland, a Housing Agency, in consultation with a housing authority, can make a written proposal for an area to designated as an RPZ. The criteria for designating an area as an RPZ are as follows:

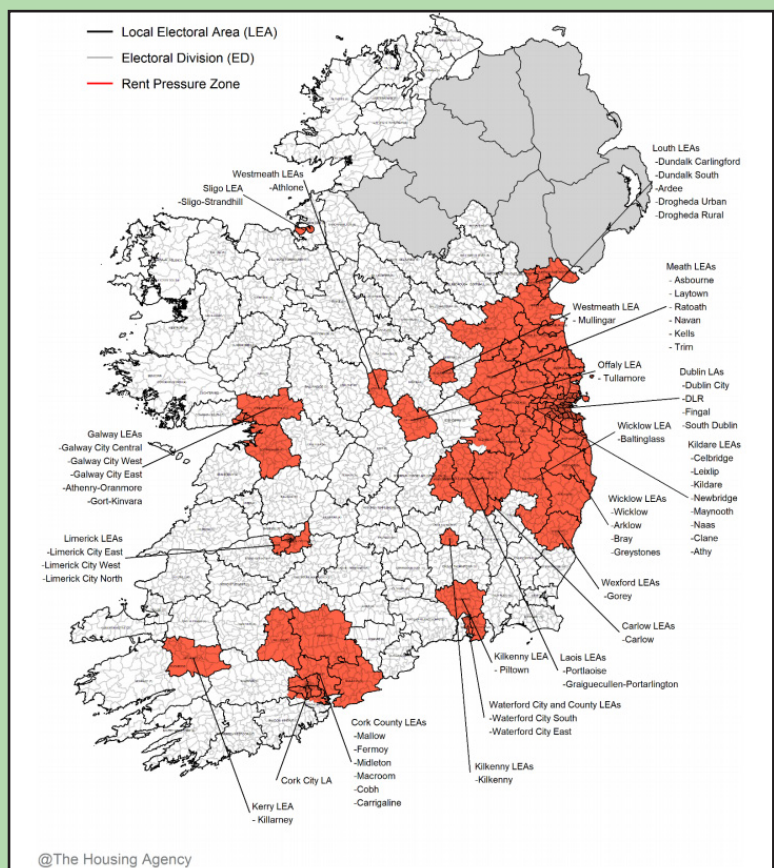
- the annual rate of increase in the average amount of rent for the area must be more than 7% in each of at least 4 of the 6 quarters leading up to the date of the proposal
- the average rent for the area in the last quarter should be above the average national rent in the last quarter⁴

Changes brought in in June 2019 meant that rents in some counties outside Greater Dublin could be compared to average rents excluding Dublin rents.

In an Irish RPZ, rents cannot be increased by more than 4% per year. This applies to new and existing tenancies.

There are currently 54 Rent Pressure Zones in Ireland⁵.

Research carried out by the Residential Tenancies Board shows that RPZs are having a moderating impact on rent levels in Ireland, with price inflation in RPZs falling relative to other areas since the introduction of the legislation in December 2016⁷.



65% of tenancies in Ireland are now in an RPZ⁶

3 <https://www.scottishhousingnews.com/article/kate-campbell-council-intervenes-to-ease-pressures-in-private-rented-sector>
 4 <https://www.housing.gov.ie/housing/private-rented-housing/rent-pressure-zones>
 5 <https://www.housing.gov.ie/housing/private-rented-housing/rent-pressure-zones>
 6 <https://www.rtb.ie/news/research-indicates-rpzs-are-having-a-moderating-effect-on-rent-inflation>
 7 <https://www.rtb.ie/news/research-indicates-rpzs-are-having-a-moderating-effect-on-rent-inflation>

Requests for an RPZ

In July 2020, we submitted FOI requests to all local authorities on RPZs. The questions we put were as follows:

- 1 To ask [local authority] for information relating to its internal procedures for gathering evidence in support of a request that an area be designated a rent pressure zone under Part 4 (Chapter 3) of the Private Housing (Tenancies) (Scotland) Act 2016.
- 2 To ask [local authority] for information it holds in relation to local rent levels in the private sector over time, rent increases and tenants' views of rent increases since 1 January 2017.
- 3 To ask [local authority] for information such as contained in internal papers, emails, or briefings relating to a potential request that an area be designated a rent pressure zone under Part 4 (Chapter 3) of the Private Housing (Tenancies) (Scotland) Act 2016.

We have produced the following table of responses. We have also scored the local authorities on a traffic light system:

- green for local authorities that both collect data on local rents and could provide information relating to consideration of an RPZ
- orange for local authorities that either collect data on local rents, make use of central data on rents or have considered an RPZ
- red for local authorities that could not provide any information in their FOI response

These scores are indicative only of the quantity of information provided to us by local authorities, not a comment on whether or not it would be appropriate for a particular council to request an RPZ.

Council	Response	Score
East Renfrewshire	Collects data on local private rents and is aware of areas of particular pressure; initial discussions with Scottish Government	Green
Stirling	Collects local data on rents, has prepared multiple papers on the RPZ process	Green
East Lothian	Gathers data on rents from Scottish Government statistics, and has provision for potential to designate a RPZ	Green
Argyll and Bute	Has commissioned research into the local private rented sector, including affordability	Green
Orkney	Collects data on local private rents	Orange
North Lanarkshire	Collects data on local private rents and analyses Scottish Government rent statistics	Orange
Aberdeenshire	Collects data on local private rents but no procedures exist	Orange
Edinburgh	Does not collect local data; council officers have engaged with Scottish Government and others via working group on RPZ evidence collection	Orange

Falkirk	Gathers data on rents for Local Housing Strategy, has not requested a RPZ	
East Dunbartonshire	Has conducted some research on local rent levels and aware of areas of pressure, no action taken	
Angus	Information not held (other than Rent Service Scotland data)	
Fife	Information not held (other than Scottish Government rent statistics)	
Glasgow	Licenses data on rents from industry body and cannot share this data, no procedures exist	
Highland	Report made to Council in May 2018 found that robust evidence is unavailable and RPZs may not be the appropriate mechanism for Highland Council	
Dumfries and Galloway	Has not initiated work on RPZs	
Renfrewshire	Information not held	
West Dunbartonshire	Information not held	
Midlothian	Information not held	
Clackmannanshire	Information not held	
Dundee	Information not held	
Moray	Information not held	
Na h-Eileanan Siar	Information not held	
Perth and Kinross	Information not held	
North Ayrshire	Information not held	
East Ayrshire	Information not held	
South Ayrshire	Information not held	
South Lanarkshire	Information not held	
Scottish Borders	Information not held	
Shetland	Information not held	
West Lothian	Information not held and no procedures exist	
Inverclyde	Information not held and no procedures exist	
Aberdeen	Information not held and no procedures exist	

Impact on tenants

In the 4 year since Parliament passed the legislation enabling councils to set up Rent Pressure Zones, no RPZ has been established. The failure of the RPZ legislation has had real consequences for tenants renting from private landlords. A 2017 paper for the Edinburgh Greens prepared by Ben Parker, a University of Edinburgh student, calculated that a tenant in a two-bedroom property would pay £50 a month less by 2020 if an

RPZ were to be immediately established⁸. The lack of RPZs has undoubtedly meant that many tenants in rental hotspots have paid more than they needed to.

The private rented sector faces challenges beyond affordability – quality of housing, including energy efficiency; security of tenure; awareness of tenants’ rights. A 2019 report by Common Weal and Living Rent concluded that “it seems worryingly likely both that no local authority will ever successfully implement a rent pressure zone and that, even if they were to be able to, that it would go nowhere near far enough in addressing the issues tenants face”⁹. The flawed RPZ policy is a distraction from potential changes that could genuinely improve tenants’ lives.

The way forward: recommendations

Councils need better data on local rental markets. A straightforward correction to the current system would be to ensure that the Landlord Register collects data on rents as well as the name of the landlord and address of the property. This would vastly improve the quality of data on rents.

The establishment of a named Empty Homes Officer at many local authorities has had a positive impact on data collection and strategic approach¹⁰. Similarly, the creation of a Private Rented Sector Officer post could help improve local data on private rents. Shelter Scotland, with funding from the Oak Foundation, has employed Private Landlord Support Officers at Glasgow and Dundee City Councils. These posts have offered tangential benefits for tenants as they aim to improve the condition of private rented sector properties¹¹.

Improve the existing RPZ legislation. Councils should be able to establish Rent Pressure Zones without the need for Scottish Ministers to approve a request. While RPZs are not a comprehensive and effective form of rent control, there are areas of Scotland where they could have an impact on rent rises if councils were allowed to introduce them.

Better communication of tenants’ rights. There is another method of rent control beyond RPZs: rent adjudication. Tenants can apply to the Rent Service Scotland to have a market rent set if they believe a rent rise is unfair¹². This is a rarely used service – a Freedom of Information request to the Rent Service revealed that only 39 tenants have used it since 2018. The Scottish Government needs to proactively remind tenants of their rights.

8 <https://www.edinburghgreens.org.uk/wp-content/files/RPZ-Report-Final.pdf>

9 <https://www.scottishhousingnews.com/uploads/documents/Rent%20Controls%20%282%29.pdf>

10 <https://emptyhomespartnership.scot/scottish-empty-homes-partnership-marks-a-decade-of-success/>

11 <https://rentingscotland.org/professionals/plso-toolkit/private-landlord-support-officer-project/>

12 The methods by which a tenant can apply for rent adjudication and a rent officer decide the rent differ depending on tenancy type. For Private Residential Tenancies, a tenant submits a form <https://www.mygov.scot/apply-about-rent/> to Rent Service Scotland with details about the proposed rent increase, the property, landlord and tenants. A Rent Officer may inspect the property. They aim to issue a decision within 40 days.

Improved rent controls. Scotland needs a method of controlling private sector rents that protects tenants from steep rent rises and incentivises landlords to improve their properties. Housing should be affordable. At most, nobody should pay out more than a third of their income on housing costs. Even if it were possible for local authorities to submit sufficiently “robust” data in support of an RPZ application, the resulting pattern of RPZs would, at best, moderate rents. It would not encourage property owners to improve their properties, protect tenants signing up to new tenancies. It would also do little to reduce inflated rents.

Conclusion

The legislation establishing Rent Pressure Zones aimed for “a balance between the pressures on tenants and investment in the area”¹³. The legislation has never been used. Collecting sufficient evidence to submit an application has proved impossible. Instead, rents have been left to rise unimpeded.

Scotland’s private sector tenants need and deserve better.

13 <http://www.parliament.scot/parliamentarybusiness/report.aspx-?r=10442&i=96161&c=1922815#ScotParLOR>