

# **COST OF LIVING (TENANT PROTECTION) (SCOTLAND) BILL**

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## **FINANCIAL MEMORANDUM**

### **INTRODUCTION**

1. As required under Rule 9.3.2 of the Parliament’s Standing Orders, this Financial Memorandum is published to accompany the Cost of Living (Tenant Protection) (Scotland) Bill, introduced in the Scottish Parliament on 3 October 2022.

2. The following other accompanying documents are published separately:

- Explanatory Notes (SP Bill 18-EN);
- a Policy Memorandum (SP Bill 18-PM);
- a Delegated Powers Memorandum (SP Bill 18-DPM);
- statements on legislative competence by the Presiding Officer and the Scottish Government (SP Bill 18-LC).

3. This Financial Memorandum has been prepared by the Scottish Government to set out the costs associated with the measures introduced by the Bill. It does not form part of the Bill and has not been endorsed by the Parliament.

### *Policy Objectives of the Bill*

4. The purpose of the Cost of Living (Tenant Protection) (Scotland) Bill (“the Bill”) is to respond to the emergency situation caused by the impact of the cost crisis on those living in the rented sector in Scotland by introducing a temporary rent freeze and a temporary moratorium on evictions, along with increased damages for unlawful evictions, until at least 31 March 2023, and with additional powers to temporarily reform rent adjudication in connection with the expiry of the rent freeze. The Bill intends to:

- protect tenants by stabilising their housing costs;
- where possible, during the cost crisis, reduce impacts on the health and wellbeing of tenants caused by being evicted and/or being made homeless by giving them more time to find alternative accommodation; and
- seek to avoid tenants being evicted from the private sector by a landlord wanting to raise rents between tenancies during the temporary measures and reduce unlawful evictions, through the complementary measures of a moratorium on evictions and raising the level of damages that may be awarded.

5. As this is emergency legislation, it is intended that a reporting requirement will be included to demonstrate the need for provisions to either continue or expire, where appropriate, based on evidence at the relevant time.

6. To support these aims, the Bill broadly takes the following measures:

- it sets a cap, initially at 0%, on the level of increase in rent permitted in the private and social rented sector and in relation to in college and university Halls of Residence and Purpose Built Student Accommodation for existing tenancies;
- it restricts the enforcement of an eviction order, for up to 6 months from when the order is granted, in the private and social rented sector and in college and university Halls of Residence and Purpose Built Student Accommodation, except in a number of specified circumstances.

7. The Scottish Ministers are required to review the provisions of the Bill at specified intervals and lay a report before Parliament on each review. No provision of the Bill can last longer than 6 months without the Scottish Parliament's approval. Where a provision is no longer necessary or proportionate, the Scottish Ministers must bring forward regulations to expire the provision. In all cases, in making decisions about the continuing necessity and proportionality of each provision in the Bill, the Scottish Government is committed to taking into account the views of those affected by the Bill.

## *Overview*

### **Rent Cap**

8. These provisions allow for Scottish Ministers to set a cap on the level of increase in rents that is permitted in the private and social rented sector and in college and university Halls of Residence and Purpose Built Student Accommodation. Scottish Ministers will have the power to vary the cap and the intention is that the cap will be set at zero from the time the provisions come into force until at least 31 March 2023, where it remains proportionate to do so. This will apply to all rent increase notices served on or after 6 September 2022. The cap will apply only to increases within a tenancy and landlords will be able to increase rents between tenancies.

9. For further balance, and to provide a safeguard for private sector landlords, they will be able to apply to increase rent in respect of limited, prescribed costs associated with offering the property for rent through application to a Rent Officer (part of Rent Service Scotland and referred to as RSS throughout).

10. Whilst the measures are in force, landlords will be able to apply to have increases in prescribed costs considered by RSS who will determine if a rent increase will be permitted on those grounds. The prescribed costs and the criteria under which they can be applied are defined in the legislation. Landlords and tenants will be able to appeal the RSS decision to the First-Tier Tribunal (Housing and Property Chamber) ("FTT"), as per existing processes.

11. The prescribed costs are defined as:

- the interest payable in respect of any mortgage or standard security over the rental property;
- any insurance premium payable by a landlord relating to insurance connected to offering the property for rent, for example 'landlords' insurance' (excluding general building and property insurance);
- any 'service charge(s)' related to the rental property that are recoverable from the tenant via their rent as part of the contractual arrangement between tenant and landlord.

12. Only 50% of the increase in prescribed costs will be eligible for consideration as a rent increase, in order to protect both the tenant and the landlord from bearing the full cost of any increase whilst the emergency measures are in force. As an additional safeguard for tenants, the maximum increase permitted in respect of prescribed costs will not be more than 3% of the existing rent, regardless of the level of prescribed costs.

13. If the rent cap rises above zero, landlords will be permitted to serve rent increases notices. In accordance with existing protections, tenants will be able to refer such notices to RSS although the basis on which RSS determine such referrals will be temporarily changed to verification that any proposed increases is within the level of the cap.

14. The Bill also enables the Scottish Ministers to increase the frequency of rent increases which are currently limited to one a year. This would enable the Scottish Ministers to authorise an additional rent increase where the rent cap is being raised and landlords have only been able to recover prescribed costs in the previous 12 months.

### **Moratorium on Evictions**

15. These provisions prevent the enforcement of eviction action in the private and social rented sector and in college and university Halls of Residence and Purpose Built Student Accommodation (PBSA) except in a number of specified circumstances.

16. To ensure an appropriate balance is achieved between the rights of tenants and landlords, the Bill provides for a number of safeguards for landlords in the private residential and social sector by exempting evictions granted on the existing grounds of criminal/antisocial behaviour and tenant abandonment; or where a property needs to be sold by lenders due to a lender repossession. Exemptions in the college and university Halls of Resident and PBSA sector are limited to evictions due to antisocial and criminal behaviour.

17. The Bill creates and modifies a number of other grounds for eviction to provide additional exemptions to the moratorium in relation to landlords in financial hardship as follows:

- landlord intends to sell property to alleviate financial hardship (private sector only, excluding regulated tenancies under the Rent (Scotland) Act 1984)
- landlord intends to live in property to alleviate financial hardship (private sector only), and

- “substantial rent arrears” (private and social rented sector) where—
  - for the private rented sector: the cumulative amount of rent arrears (in respect of one or more periods) equates to or exceeds an amount that is the equivalent of 6 months’ rent under the tenancy.
  - for the social rented sector: the rent lawfully due from the tenant which has not been paid is equal to or greater than £2,250 (which is equal to or slightly in excess of 6 months’ average rent in the Scottish social rented sector).

18. In addition to these safeguards, the Bill includes a provision to ensure that the restriction on the enforcement of an eviction order applies only for 6 months from when the order was granted, providing certainty for landlords and tenants.

19. The moratorium applies to:

- eviction orders granted in proceedings raised after the moratorium comes into force,
- eviction orders granted in proceedings raised before the moratorium comes into force in relation to an eviction notice served on or after 6 September 2022, or where an eviction notice is not required, in proceedings raised after that date (but before the moratorium comes into force).

20. It will not apply to eviction orders granted in proceedings raised before 6 September 2022.

### **Rent Adjudication**

21. These provisions provide Scottish Ministers with a regulation making power that enables them to temporarily change the basis on which rent adjudication is determined should this be deemed necessary to support the transition out of the emergency measures. For example, the power could be used to prevent the Rent Officer, as part of Rent Service Scotland or First-tier Tribunal from determining a rent above that requested by the landlord in the rent increase notice.

22. The regulation making power will be subject to the affirmative procedure ensuring that appropriate scrutiny is given to the necessity for any temporary changes proposed and there is a statutory duty to consult before laying draft regulations before Parliament.

### **Unlawful Evictions**

23. These provisions change the way in which civil damages can be awarded for unlawful eviction making it easier for tenants to challenge an unlawful eviction and receive appropriate damages where one has occurred. The provisions amend the 1988 Act to:

- replace the basis for the assessment of damages for unlawful eviction with a calculation based on a multiplication of the monthly rent;
- set the minimum and maximum level of damages that the Tribunal (and the Sheriff Court in social housing cases) can award at 3 times and 36 times the monthly rent respectively;

- enable the Tribunal or Court to set damages at a level lower than the minimum threshold where the circumstances of the case merit a lower award; and
- place an additional requirement on the Tribunal to inform i) the relevant local authority and police where a private landlord has been found to have unlawfully evicted a tenant; and ii) the Scottish Housing Regulator, where a social landlord is found to have unlawfully evicted a tenant.

## **COSTS ON THE SCOTTISH ADMINISTRATION**

### **Private Rented Sector**

#### *Costs to Rent Service Scotland (RSS)*

24. In relation to the rent cap, there are quantifiable costs attached to the new routes for determination in respect of prescribed costs. These are given in Table 1 below.

25. Whilst there are around 340,000 private rented properties in Scotland, only a small percentage of landlords are likely to be eligible to apply to Rent Service Scotland for a determination in respect of prescribed costs. Evidence<sup>1</sup> suggests that 50% of landlords do not increase rents for sitting tenants. Of the remainder, around 15% reported that they increased rents each year. For landlords who increase rents less frequently than each year, only a portion of their tenants will experience a rent increase in any given year. If we assume a top end estimate of 50% increasing rents in a given year, about 25% of existing tenants, who have been in their properties for more than 1 year, could face a rent increase during the initial period<sup>2</sup> and with behavioural change as a result of the current economic situation this could be between 15% and 35% of existing private rented tenants. Excluding the 35% of PRS properties where the tenant has been living for less than a year, only about a quarter of the rest (around 220,000) would be likely to experience a rent increase, equating to around 55,000 tenancies.

26. Not all landlords who are eligible to increase rent will have legitimate prescribed costs and, as such, they would be excluded from applying for a determination. For example, around a third (36%) of PRS properties across the UK have an outstanding Buy-to-Let (BTL) mortgage (although PRS landlords might have other types of loans than BTL mortgages) and nearly three-quarters (72%) of outstanding BTL mortgages in the UK are on fixed interest rates. Whilst this does not relate directly to landlords in Scotland it is reasonable to assume that the profile will be reasonably similar. Broadly, if Scotland mirrors the UK picture, only around 10% of landlords will be estimated to have a variable rate BTL mortgage and, of the around a quarter who have a fixed rate mortgage, only a proportion of these would experience a rate increase during the initial 6-month period. Feedback from UK Finance is that while 2-year fixes used to be the most popular, it is now 5-year fixes which will reduce the number of mortgages being refinanced in any period. Similarly, whilst we cannot specifically quantify the number of tenancies which will include specified service

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<sup>1</sup> Nationwide Rentbetter survey of landlords and letting agents – 2020 Published by Indigo House

<sup>2</sup> If it's assumed that the starting dates of tenancies are approximately equally distributed over the course of a year, this would suggest that less than a quarter of sitting tenants would experience a rent increase over a 6-month period. In the current environment, with high levels of inflation and rents rising, it is plausible that landlords look to increase rents within tenancy at a greater rate than in the past and perhaps sooner than they would otherwise do so. Our estimate accounts for this potential behavioural change.

charges, it will only be a portion of the overall number which would be eligible to receive a rent increase in the period the measures are in force.

27. Applying the estimate of 10% of landlords with a variable rate mortgage to the 55,000 PRS tenancies which may expect a rent increase in the 6 month period, results in a potential of 5,500 rental increase cases. However, the 3% cap on rent increases may discourage some landlords from going through the process of seeking RSS approval for a rent increase, especially if they consider they may have opportunities to increase rents either at the end of the initial period or when they have a turnover of tenants. On this basis we have included a top end scenario of 1,000 cases in Table 1 below.

28. It is not possible to determine how many landlords will apply to increase rent on the basis of prescribed costs but as this would be the only way to increase rent under a zero cap and, if landlords themselves are experiencing increased costs associated with offering the property for rent, they may make an application to RSS. Given these caveats and the uncertainty in predicting volumes, a range of costs for determination of applications for prescribed costs is presented in Table 1.

29. In addition, if the cap is raised above zero tenants will be able to refer a rent increase notice to RSS for verification that the proposed increase is in accordance with rent cap. Given the level of permitted increase will be clear to both landlords and tenants it is not anticipated that there will be significant numbers of referrals of rent increases to RSS.

Table 1 – Rent Service Scotland (RSS) Costs

<b>125 cases</b>	<b>250 cases</b>	<b>500 cases</b>	<b>1,000 cases</b>
0.5 admin staff, 0.5 Rent Officer. £ 26, 550	1 admin staff, 1 Rent Officer. £53,100	1.5 admin staff, 2 Rent Officers. £98,800	3 admin staff, 4 Rent Officers. £197,650
IT, postage and stationary costs. £ 8,450	IT, postage and stationary costs. £16,900	IT, postage and stationary costs. £31,200	IT, postage and stationary cost. £59,350
Total: £35, 000	Total: £70, 000	Total: £130, 000	Total: £257,000

30. The above scenarios range from 125 (approximate yearly rent adjudication caseload under existing requirements) to 1,000. The IT costs relate to costs to upgrade and modify the system to facilitate the delivery of the new processes required to support the emergency rent cap measures.

*Costs to the First-Tier Tribunal*

31. It is anticipated that there will be additional costs to First-Tier Tribunal (FTT) in connection with the rent cap measure. A route of appeal will be available for landlords and tenants in respect

of any determination by RSS in relation to prescribed costs or verification of the proposed rent in a rent increase notice. In relation to verification of proposed rent, given the nature of the process and basis for decisions by RSS will be clear, it is anticipated that there will be a limited number of cases to the FTT in relation to rent increases. It may be more likely that cases will be appealed to the FTT in relation to the determination of prescribed costs as there is more scope for the landlord to disagree with the RSS decision, given there are a range of factors that will be considered in those cases. It is, however, anticipated that the number of such cases going to the FTT will be fewer than that going to RSS.

32. It is also anticipated that there will be additional costs to FTT in connection with the implementation of the moratorium on evictions. The measure will require the FTT to consider applications for eviction on the basis of new grounds for eviction relating to the landlord's financial hardship and there will be a number of system and processes changes required in relation to this, alongside training for Tribunal members. There may also be additional costs should the measures increase the number of eviction applications made to the FTT.

33. Appeals to the FTT are demand led and it is not possible to predict the volume of cases that will result from the introduction of the emergency measures with any accuracy, however, should more landlords seek to end a tenancy in response to the emergency measures or due to their own financial hardship, or more tenants do not to leave the property at the end of the notice period, this could lead to an increase in case load. As such, three scenarios have been costed for operational costs which cover FTT administration and all costs associated with case management and hearings, including Tribunal member fees.

*Assumptions:* Eviction Order (EO) Appeals (existing grounds) experience no change in existing volumes. It is considered unlikely that there will be a reduction in cases due to the moratorium on evictions. The moratorium will not prevent a landlord from serving notice to leave/ notice of proceedings on their tenant or making an application to the Tribunal/Court, instead it will prevent the landlord from enforcing an eviction order/decreed for up to 6 months. It is, therefore, unlikely landlords would decide not to start the process of eviction in response to the moratorium.

**Scenario A:**

EO Appeals (new grounds) experience a 10% increase in volumes of analogous pre-moratorium grounds

Rent Freeze/Cap appeals experience a 10% uplift in existing Rent appeal volumes, based on contentious RSS decisions on 'prescribed, legitimate costs'

**Scenario B:**

EO Appeals (new grounds) experience a 20% increase in volumes of analogous pre-moratorium grounds

Rent Freeze/Cap appeals experience a 20% uplift in existing Rent appeal volumes, based on contentious RSS decisions on 'prescribed, legitimate costs'

**Scenario C:**

EO Appeals 50% increase in volumes of analogous pre-moratorium ground and existing volumes. Rent Freeze/Cap appeals experience a 50% uplift in existing Rent appeal volumes, based on contentious RSS decisions on 'prescribed, legitimate costs'

Table 2 – First Tier Tribunal (FTT) Costs – Rent Cap

System design, development and testing costs (irrespective of operational costs)  
£3,000 - £5,000

**Operational costs associated with processing appeal cases**

Scenario A: 10% increase	Scenario B: 20% increase	Scenario C: 50% increase
£42,500	£46,000	£53,000

Table 3 – First Tier Tribunal (FTT) Costs - Moratorium

System design, development and testing costs (irrespective of operational costs)  
£20,000 - £22,000

**Operational costs associated with processing eviction applications**

Scenario A: 10% increase	Scenario B: 20% increase	Scenario C: 50% increase
£91,000	£112,000	£243,000

*Rent Adjudication*

34. Though there will be a power for a temporary change as to how rent adjudication is determined, this depends on what the change would be, and therefore the costs cannot be specified. It would be reasonable to assume some costs would be incurred but given this would be in the context of the existing processes that are undertaken by Rent Service Scotland these would be anticipated to be low. The regulation making power is subject to the affirmative procedure and a separate Business and Regulatory Impact Assessment will be prepared to support Parliamentary scrutiny at that time.

*Unlawful Evictions*

35. The Tribunal would be able to vary the amount of any award, so there may be some additional costs associated with more considerations in deciding the appropriate level of damages, but the Scottish Government expects these costs to be minimal.



## **Social Rented Sector**

36. Any additional costs on the Scottish Courts from the evictions moratorium are likely to be minimal. In contrast to the FTT, the Courts will not be required to consider applications for eviction on new grounds or make related system and process changes.

37. There is not expected to be any costs on the Scottish Administration from the rent freeze up to 31st March 2023 as most social rents are set annually on 1st April and have already been set for the financial year 2022/23. If a freeze is extended post 31<sup>st</sup> March 2023 the Scottish Government may be required to provide resources to protect RSL's whose financial viability is threatened due to loss of rental income.

## **Purpose Built Student Accommodation and Halls of Residence**

38. There is not expected to be any costs on the Scottish Administration up to 31st March 2023 as rents for PBSA and Halls of Residence have already been set for academic year 2022/23 which runs from September 2022 to June 2023. Given the low number of evictions in college and university halls of residence and PBSA and the preferred use of Payment Plans by this sector, there is not expected to be any costs on the Scottish Administration up to 31st March 2023.

39. Should the measures be extended, given the low rates of eviction and the preferred use of payment plans by the sector, there is not expected to be any costs to the Scottish Administration to the end of June 2023 when most tenancies terminate at the end of the academic year. Rental rates for academic year 23/24 tend to be set in spring 2023 and will be for new tenancies at the start of academic year 23/24. Again, it is envisaged, given the practices outlined in this section, that it is not expected to be any costs to the Scottish Administration.

## **Summary of Costs on The Scottish Administration**

40. Given the potential range of costs that could be incurred, it is estimated that overall costs to the Scottish Administration resulting from the introduction of the emergency measures could be in the range £191,500 and £580,000.

41. Given the uncertainty in the wider economic conditions and the flexibility built into the emergency measures, we are not seeking to forecast costs beyond the initial period to 31 March 2023. As part any consideration of extending the measures beyond the initial period, the costs will be further assessed and this will form part of the case presented to the Parliament in support of such an extension.

42. In the period 1st April 2022 to 31st August 2022, RSS received 93 cases under existing rent adjudication process, costs for which was approximately £20,000. During the emergency measures, these existing requirements will be suspended, with a reduction in existing costs at a similar level to the April to August period.

43. It is not anticipated that any potential costs savings are likely in relation to FTT costs, given the moratorium will not prevent a landlord from serving notice to leave/ notice of proceedings on their tenant or making an application to the Tribunal/Court. In respect of the rent cap, the numbers

of appeal cases to the FTT in relation to existing rent adjudication process for rent increases is minimal and the introduction of the emergency measures may result in an increase, as compared to the existing adjudication process.

## **COSTS ON LOCAL AUTHORITIES**

### **Private Rented Sector**

44. It is not anticipated that these measures will impose additional costs on local authorities. These measures may help local authorities save costs relating to the provision of temporary accommodation by helping to reduce the number of tenants who are at risk of homelessness.

45. The amendment to these provisions in relation to the private rented sector will result in no direct costs or savings to local authorities.

### **Social Rented Sector**

46. The rent freeze proposal will not have any immediate impact on local authorities as rent for most local authority homes have already been set until 31st March 2023.

47. Up to end of March 2022, rent arrears on all local authority houses totalled nearly £105 million. Local authority rent arrears continue to be higher than that of Registered Social Landlords (8.48% and 4.26%, respectively) The moratorium on evictions will increase the level of local authority rent arrears as arrears will continue to accrue for cases where the exemption for significant rent does not apply during the period of a moratorium.

48. If the rent cap provision continues past 31st March 2023 this will also have an impact on local authorities. The extent of those costs depends on the level of any cap and how that relates to business plan assumptions. The Scottish Government is working with the social sector (local authorities and registered social landlords) to discuss whether a cap should continue to be applied on social rents and at what level any, time limited, emergency rent cap should be.

### **Purpose Built Student Accommodation and Halls of Residence**

49. As there is no new or changed role for local authorities with regards to college and university halls of residence and PBSA, it is anticipated that there will be no or minimal costs to local authorities.

## **COSTS ON OTHER BODIES, INDIVIDUALS AND BUSINESSES**

### **Private Rented Sector**

50. It is not anticipated that the requirement of complying with these temporary emergency measures will result in any additional costs for tenants. There will be some potential for cost saving for some private tenants where a landlord was intending to serve a rent increase notice during the period the measures will be in force, given rent will be frozen until at least 31 March 2023. The

level of savings, if any, that individual tenants will make depends on the landlord's intention in relation to increasing rent and is not quantifiable.

51. The primary cost for landlords will be rental income foregone. As outlined in paragraph 23, around 55,000 tenancies could be subject to a rent increase during the initial period, resulting in a total cost to private landlords in the range £6,000,000 to £23,000,000, based on an average 2-bedroom rent of £693 in 2021, rolled forward to August 2022 using the ONS private rental index<sup>3</sup>, providing a monthly rent of £722. If this figure is converted to a per property figure, this equals to an average of £110 to £420 across the 55,000 properties that may have experienced a rent increase. Using the wider range of existing tenancies that could face a rent rise (15% - 35%), the total cost to landlords for an initial 6 month freeze range from £3,500,000 to £32,500,000. The total rental income for private landlords is estimated to be around £3 billion a year.

52. This will be mitigated by the safeguards through the ability to have prescribed costs considered as part of the rent cap. Where landlords decide to apply for consideration of prescribed costs, no fee will be attached to the process of making an application and making an appeal to the FTT does not incur a direct cost. It should, however, be noted that the maximum level of increase permitted is the lower of 50% of the agreed prescribed costs or 3% of the existing rent costs.

53. It may be that the provisions may need to be extended and the potential impact of this will depend on the level of any cap set. If the cap is raised above zero, landlords will be able to increase rents in line with the cap. The Scottish Government will work with the private sector to establish the key considerations for any cap beyond 31 March 2023, so that private landlords can plan.

54. Any additional costs for landlords resulting from the moratorium on evictions will depend on current practice. The Scottish Government does not expect any significant additional costs to private landlords in relation to the evictions process, applications to the FTT does not incur a direct cost and legal representation is not mandatory as part of the appeal process. PRS landlords seeking to repossess a property due to rent arrears could incur additional costs due to the extended period that a tenant can hold rent arrears without being evicted where they are unable to make use of the new ground for repossession for substantial rent arrears, however, the main costs will relate to rental income foregone. The average monthly rent for a PRS landlord of £693 (for a 2-bed property) in 2021 can be rolled forward to August 2022 using the ONS calculated private rental market index<sup>4</sup> giving a more up-to-date rent figure of £722. This figure would be the average additional debt to landlords for every month that the enforcement is delayed (up to a 6 month maximum).

55. There are no immediate costs to private landlords in relation to measures to reform the way in which damages for unlawful eviction are calculated or in measures to provide Scottish Ministers with regulation making powers to reform the rent adjudication process. Where a landlord is found by the First-tier Tribunal to have carried out an unlawful eviction, the cost to the landlord will depend on the individual circumstances of the case and the level of monthly rent of the let property. Under the temporary measures, the Tribunal will be able to award damages of between 3 times

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<sup>3</sup> [Index of Private Housing Rental Prices, UK - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)

<sup>4</sup> [Index of Private Housing Rental Price, UK – Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)

and 36 times the monthly rent. The Tribunal can also award damages at a level lower than the minimum threshold where the circumstances of the case merit a lower award.

## **Social Rented Sector**

56. It is not anticipated that the requirement of complying with these temporary emergency measures will result in any additional costs for tenants. Initial analysis by the Scottish Housing Regulator on the key impact of a rent freeze from April 2023 estimates that those tenants who pay full rent would save £3 per week. Additionally the moratorium on evictions should give tenants more time to access all the benefits and financial support they are entitled to helping them to prevent or stop further arrears building up.

57. There will not be any immediate impact on Registered Social Landlords to the rent cap provision. However the Scottish Housing Regulator has estimated that if the provisions were extended at a 0% cap on rents a rent freeze in 2023/24 will remove at least £50 million in income in that year from the business plans of Registered Social Landlords, and at least £230 million over the four years to March 2027. This is based on financial projections provided to the SHR by landlords last year. However these will have changed, or will be changing, to reflect the significant changes in RSLs operating context. This will almost certainly result in projections that would deliver a higher figure than this current estimate.

58. The Scottish Government will work in very close partnership with the social rented sector to determine the best way forwards from 1st April onwards following the initial 0% rent cap to 31st March. This will be about monitoring what is happening in the coming months to determine what action will be appropriate. This will include discussing with social landlords whether a cap should continue to be applied on social rents and at what level any, time limited, emergency rent cap should be.

59. For landlords seeking to repossess the property due to rent arrears or where the tenant is causing damage to the property, there are likely to be additional costs for landlords. Costs due to accumulated rent arrears are likely to be more acute for RSLs than local authority landlords because of the relative size of these organisations and their primary focus on housing. RSLs and Local Authorities alike rely on rental income to fund the services they provide on a day to day basis. It is difficult on the available data to estimate the scale of these additional costs.

60. Contractors – RSLs employ contractors to carry out maintenance and other essential services which are funded out of rental income. Loss of rental income due to the moratorium on evictions and if a rent cap is extended past 31st March 2023 could potentially affect an RSL's capacity to contract work.

## **Purpose Built Student Accommodation and Halls of Residence**

61. Given the majority of students entering PBSA for the current academic year (Sept 2022 to June 2023) have already signed fixed rental contracts for the period, providers are unlikely to have to develop additional processes or adjust their current arrangements as a result of the introduction of the temporary rent cap. As such, it is envisaged that there will be no or minimal costs to providers.

*This document relates to the Cost of Living (Tenant Protection) (Scotland) Bill (SP Bill 18) as introduced in the Scottish Parliament on 3 October 2022*

62. This Financial memorandum relates to the temporary emergency provisions, with a focus on the initial 6 month period, but consideration of the potential for the measures to be extended where appropriate.

*This document relates to the Cost of Living (Tenant Protection) (Scotland) Bill (SP Bill 18) as introduced in the Scottish Parliament on 3 October 2022*

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