



OFFICIAL REPORT
AITHISG OIFIGEIL

DRAFT

Local Government, Housing and Planning Committee

Tuesday 12 November 2024

Session 6



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CONTENTS

	Col.
DECISION ON TAKING BUSINESS IN PRIVATE	1
HOUSING EMERGENCY	2
SUBORDINATE LEGISLATION.....	54
Property Factors (Registration) (Scotland) Regulations 2024 (SSI 2024/274)	54
Title Conditions (Scotland) Act 2003 (Rural Housing Bodies) Amendment Order 2024 (SSI 2024/273) ..	54

LOCAL GOVERNMENT, HOUSING AND PLANNING COMMITTEE
30th Meeting 2024, Session 6

CONVENER

*Ariane Burgess (Highlands and Islands) (Green)

DEPUTY CONVENER

*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

COMMITTEE MEMBERS

*Meghan Gallacher (Central Scotland) (Con)

*Mark Griffin (Central Scotland) (Lab)

*Fulton MacGregor (Coatbridge and Chryston) (SNP)

*Emma Roddick (Highlands and Islands) (SNP)

*Alexander Stewart (Mid Scotland and Fife) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Callum Chomczuk (Chartered Institute of Housing)

Sharon Egan (Association of Local Authority Chief Housing Officers)

Eilidh Keay (Living Rent)

Jennifer Kennedy (Homes for Scotland)

Carolyn Lochhead (Scottish Federation of Housing Associations)

Professor Duncan Maclennan (University of Glasgow)

Gordon MacRae (Shelter Scotland)

CLERK TO THE COMMITTEE

Euan Donald

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament

Local Government, Housing and Planning Committee

Tuesday 12 November 2024

[The Convener opened the meeting at 09:01]

Decision on Taking Business in Private

The Convener (Ariane Burgess): Good morning, and welcome to the 30th meeting in 2024 of the Local Government, Housing and Planning Committee. I remind all members and witnesses to ensure that their devices are on silent—I will do that, too.

The first item on our agenda is a decision whether to take items 4, 5 and 6 in private. Do members agree to take those items in private?

Members indicated agreement.

Housing Emergency

09:01

The Convener: Under the next item on our agenda, we will take evidence from two panels of witnesses as part of our housing inquiry. The sessions provide an opportunity for the committee to consider the response to the housing emergency and how we move beyond the emergency to a sustainable housing system that works for all.

On our first panel, we are joined by Professor Duncan Maclennan, emeritus professor of urban economics at the University of Glasgow and adjunct professor of housing economics at the Canadian Housing Evidence Collective and McMaster University in Ontario.

We have a number of questions for you. There is no need for you to operate your microphone, as that will be done for you. I will begin with some opening questions before I bring in other committee members.

First, what are your thoughts on whether there is a national housing emergency in Scotland and whether the Scottish Government is clear about how we should define a national housing emergency?

Professor Duncan Maclennan (University of Glasgow): Between 2015 and 2019, I led a project that involved academics and policy makers from Scotland, the rest of the United Kingdom, Canada and Australia. We produced a report called “Shaping Futures: Changing the Housing Story”, which identified an emerging troublesome trinity.

When you looked at all the systems, including the one in Scotland, you could see growing signs and evidence of pressure in the rental housing system. In the private rented market, rent burdens—the share of people’s incomes going towards rent—were increasing significantly, and vacancy rates were way down. In the social rented sector, stock was often diminishing and sometimes deteriorating in quality, and, above all, queues to enter the sector were lengthening significantly. The difficulties of home ownership had grown dramatically for younger people, and there were problems with retaining it for many older people who ran into difficult circumstances, such as divorce or whatever, in their 50s.

Across all the systems, including the one in Scotland, those problems were spreading and deepening. They had not just started; they had been evident from the early 2000s onwards. If there is now thought to be an emergency, it is perhaps because public perception of the issues

has grown, but the issues have been growing for quite a long time.

How do you define an emergency? There is no generic definition. It is a fashionable term, and it is important to recognise that it has been borrowed from environmental debates. It is about what you decide is important. What objectives and outcomes are you trying to attain? If you are putting in resources but not meeting your outcomes, you are in some kind of difficulty.

I would tend to use the term “emergency” only for something that was really short term and urgent, because the hospital system, for example, does not describe even quite serious conditions as emergencies. We should not worry too much about the term. We should focus on the outcomes that are problematic—the homelessness numbers, rent burdens and the number of young people who cannot get into home ownership—not on defining “emergency”. The term “housing affordability” has never been defined, because we would have to ask, “Affordable for whom and in what market?”

Housing needs are quite well defined in Scotland, because the Scottish Government has a good record in spelling out what are regarded as the reasonable dimensions of housing needs. However, the recent house builders study rather muddies the waters by including everything as a housing need, including a dripping tap. Such issues need to be separated. A dripping tap in my house would be an urgent housing need for me—in relation to making my wife more content with my maintenance at home—rather than a national emergency. I am concerned that the needs total is now overinflated, because things that are not emergencies have been included. I am sorry to make that critical comment right at the start.

The Convener: That is very helpful and provides some clarity. You referred to a report that pulls all the needs together. I did not catch it, so will you say what that report is?

Professor MacLennan: It is the Homes for Scotland report. John Boyle, for whom I have the highest regard—he is a former student of mine and does lots of good work—produced, with Rettie and Mark Diffley, a report that included an all-singing, all-dancing housing needs total, but it is too much of an aggregate total to inform the debate.

The Convener: That is very helpful. My second question was going to be whether the housing emergency could have been predicted, but I think that you have answered that, given the work that you have been doing for quite some time. Is there anything that you want to add?

Professor MacLennan: We can look at the decline in home ownership rates as an example. When we talk about the emergency, it is important

that we do not talk only about the 25 per cent relating to the social rented sector and the private rented sector; there are all kinds of emergencies, including the growth of populism, which relates to younger people’s difficulties in getting into home ownership. The UK’s home ownership rate kept increasing after 2000 only because old home owners like me kept living longer; the proportion of 25 to 35-year-olds who could get into home ownership was declining. In Australia, the rate had been declining since the early 1990s. In other words, the circumstances that young people have faced, with entry-level wages in the labour market not having gone up significantly while housing prices have increased significantly, have existed for a long time.

In my view, the set of problems—what you might call an emergency and what I call the triple troubles—arise from two things. First, for almost a quarter of a century, in most countries, the bottom 20 per cent of people, based on income distribution, have had very limited real increases in their incomes. At the same time, real housing rents and prices have gone up. In other words, housing has impoverished significant sections of society and the economy in all the countries that I have been dealing with for the past 20 years. What has not kept pace has been the Government’s commitment to what economists call the merit good argument—the recognition that people deserve a decent standard of housing. That is now embedded in the argument about housing rights, but the idea that everyone should have a decent standard of housing has been prevalent in Scottish housing policy since the 1950s.

In all fairness to the different Governments that there have been in Scotland in the past 25 years, Scotland has done better than any other part of the UK and, indeed, the other countries that I have looked at in trying to keep up through providing investment in the social rented sector. Even if what has been done has not been enough, it must still be recognised that there has been a significant effort relative to what has happened in other countries.

It is not an economic or financial issue; it is a moral issue. It is about the political choices that get made about whether to support people. At this point, I might begin to sound like a church minister, but I do not mean to sound like one.

The other failure relates to rising real house prices. The “Housing to 2040” document was good, in that it talked about the importance of removing the speculative element of the sustained rise in real house prices. That is the nub of the issue; that is the system failure. Some people want to blame it all on town planners. If only that were true, we could fix the problem. However, the

problem is as much to do with central banks, the Treasury and the way in which Government economists think about housing. There is a moral choice about how we spend money, but I recognise that there is an increasingly difficult set of issues.

However, we can do a lot about the other issues, such as how we understand and manage the housing system. When we are dealing with that set of issues, it is not all about having more rights and more resources. There is little point in having more rights if that just adds to the unmet needs total. All the countries that we are talking about have real difficulties in finding additional resources for housing. The critical issues relate to the way in which we deliver and govern the system, and those issues are not pursued enough in debates about housing.

The Convener: Thanks very much for that. You have touched on an area that I was going to ask you about. You talked about system failure and said that that is to do with the central banks and the Treasury. I want to understand better how our housing is funded. We have different sectors. There is the public sector and the private sector, and public money is going in. We also understand that the Government used to have access to financial transactions money from the UK Government. How do we bring forward supply in different sectors, if that is what we want to do? I know that that is a big question, but it would be helpful if you could give a bit of a headline answer.

Professor MacLennan: Let us leave aside for the moment the social security budget and how you deal with the rental side, which is an important dimension in housing, and the fact that taxes are not just about raising revenue but about encouraging good behaviours and discouraging bad behaviours. We do not think about that enough in the tax system.

With regard to flows of money to Governments, there are the financial transactions, which are essentially where a Government is prepared to lend or give an equity share, on the assumption that it will come back. In other words, that is a financial transaction. The other flows of Government money are through the conventional public sector routines, with the Scottish budget now not just a matter of Barnett consequentials but differential changes in tax regimes.

I am glad that I go to Canada from time to time to have a rest from trying to understand that particular set of arrangements. I suggest that you speak to my colleague at the University of Glasgow, Professor Graeme Roy, who seems to understand that and has tried to explain it to me at least twice.

We have to remember that we are in a market system, and that is by choice. Most Scots get their housing through the market system. In that context, the important flows of funds come from the banks, building societies or other financial institutions. What matters is how we regulate that and how we leverage it against the public money that we have.

The leveraging of assets in the non-profit sector in Scotland is relatively weak, in contrast to the situation in England and Australia. A lot of Government money is embedded in the sector that is not used to leverage. I know that there are lots of arguments about the financialisation of housing, which is a modern term of art. Housing was financialised as soon as somebody borrowed any money to buy a house, build a house or let a house. Although people are concerned about particular kinds of financialisation, it will be important for the non-profit sector in Scotland to increase the capacity to leverage private finance from the bank into public finance. Public finance is difficult just now, and it might not get any better over the next two or three years.

09:15

The Convener: Have you given any consideration to the role of the Scottish National Investment Bank in housing in Scotland?

Professor MacLennan: No—not in any detail. When I contrast Scotland with Australia and Canada, I see that Scotland has lots of things, such as the Scottish National Investment Bank and the Scottish Futures Trust—and others—that, in my view, dabble in housing rather than have it as a primary concern.

We did have a national housing entity. I declare an interest, in that I was on the board of Scottish Homes longer than anybody else, and I was in the room when it was abolished, when I was working as an adviser to Donald Dewar. We have split up some of its functions over different entities and, in my view, they do not integrate the housing interest adequately enough to drive it.

Do we need a public entity that will spot opportunities where you might support the market with forms of investment? I think that there is a very obvious example of that. In the 1990s, up until 2003-04, we had something called grow grant, in which investment went in from Scottish Homes and Communities Scotland to support developers who were going into areas of cities that were regarded as needing development where there had not been home ownership before. The subsidy rates were about 20 to 25 per cent of costs.

The housing issues in Glasgow and Edinburgh are very different. It is all about pressure in

Edinburgh. In Glasgow, there are still important areas of regeneration. As I go around Glasgow, I see lots of vacant sites, particularly relatively close to some poorer areas of housing that have, fortunately, been upgraded by the Wheatley Group. In the past, those sites would have been developed for home ownership using grow grant, but nobody takes that function on now. Maybe there is a role for the Scottish National Investment Bank, which could think about how it could make schemes pencil out in that context. I am not suggesting that we should throw more money at developers; I do not think that that is the answer to the general problem.

There is an interesting point about Australia and Canada. Planning is never perfect, and it is a difficult thing to do. Of course, our planning authorities could speed up, and there are planning authorities that could zone more land than they do, and they could be better at doing that. We could do better in Scotland. The abandonment of strategic spatial planning at metropolitan and regional levels is a huge mistake when it comes to guiding appropriate housing investment and transport investment to the right places at the right time. However, to lay the blame for what I see as housing system failures at the doors of municipal planning departments is not only erroneous but somewhat ironic. The Bank of England, the Treasury and a range of ministries do not co-ordinate, and in Scotland, planning, housing and infrastructure are really badly co-ordinated. I could explain to you why I think that. Cities such as Vancouver or Sydney have no less of a growth challenge than Edinburgh does; they just have better systems and better governance arrangements to deliver change. We have not thought about that properly.

The Convener: That is great—thanks very much. One of my challenges is that I need to bring members in, but first I have another question. You have talked quite a bit about home ownership. Is it a given that home ownership, and the pathway into that, would be part of solving the housing emergency?

In other countries, and certainly on the European continent, people are quite happy to rent throughout their lives, with very good-quality rentals at a fair rent that is not such a burden on their financial circumstances. Home ownership is a tendency in the United Kingdom, but is it a given that that is what we have to do?

Professor MacIannan: I once had this conversation with Mrs Thatcher, who did not like my answer. The highest home ownership rates in Europe are in countries such as Bulgaria and some of poorest countries, either because of the tradition of land ownership or because of the post-socialist dumping of property from the state on to

anyone who would buy it. The average home ownership rate is not a good proxy for the wellbeing or wealth of a country.

The European Union published statistics last week that show that the home ownership rate in the European Union as a whole is about 62 per cent. However, it varies from 40 per cent in Germany to 90 per cent in Bulgaria—it varies a lot.

There is a real danger in picking particular examples. People have done that with rent controls, saying that it works here and it works there. There are some very heavy contextual issues, and you really need to understand the system in a place before you draw the sharp conclusion.

In all the Anglocentric countries—you can also throw in Norway and the Irish experience—home ownership rates are important, and the rates in Britain, Canada, Australia, the United States and so on are similar. That is where we have seen significant reductions. Among people aged 25 to 40, there is a sustained diminution in home ownership rates.

I think that the Minister for Housing and Local Government has a terrible job, by the way; it is almost impossible. I can explain that comment; I am not just saying it because he has the same name as me and even spells it the same way.

I think that home ownership rates have gone down significantly. At a very big-picture level, if politics does not change housing, housing starts to change politics. If you do an analysis of where the Liberals in Australia lost seats to Labour and the Greens in the Australian election, you can see that they lost seats where there was a very high proportion of renters and young people who could not buy. If you look at the roots of populism and what drives the Donald Trump train, you will see that housing, and the inability to buy housing, is an important part of the discussion. There are significant political economy consequences. I am not an expert in politics in any way, shape or form, but this might end up being an emergency for politicians, let alone for the individuals who cannot buy.

On the hierarchy of that—and this is starkly clear in Canada as the winter gets close—the real emergency is people sleeping on the streets, who may well die if they are not off the streets. Canada has been good at somehow getting people off the streets, but that is now being really tested. The next real emergency is the ever-increasing proportion of families with children who are paying more than 50 per cent of their quite low incomes to live in not very good properties, and who have to move every year or two years. That simply creates poverty for the next generation. On some of the outcomes of these things, the evidence is that

children who grow up in bad housing and who are moved every year or two are two years behind other kids in school by the age of 10 or 11. We start to erode human capital right from the get-go when we have bad housing. If those children are concentrated in poorer neighbourhoods, all the things that kick in when they are teenagers, with schooling and so on, layer on top. We know that, and there is lots of evidence for Scotland on those things as well. Those are the acute issues.

The entry to home ownership is less urgent for households this winter and it might be less urgent next year, but over the next five years, it becomes urgent for them if they cannot move on in their lives. There is a real issue in the Scottish context. In all fairness, I think that the policy debate has been more about the big priorities of homelessness and the social rented sector. There has not been a lot of ingenuity in thinking about what you do about young people and home ownership.

The Convener: Thank you very much. I will bring in Willie Coffey.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Good morning, Professor Maclennan. I am really enjoying you sharing your perspective, especially on the historical context.

I invite you to cast your eye back to late 1970s and early 1980s, when the process of selling off huge numbers of council houses started. Do you think that we should have seen today's emergency situation coming? Between then and 2014, nearly half a million council houses in Scotland were sold. Has that played a role in where we are now? As I understand it, there was no policy alternative at the back end of that to do anything to replace that stock. It could be argued that we find ourselves in the position that we are in largely because of that.

Professor Maclennan: I think that that has been a contributory factor. However, I do not think that it has been anywhere near as important a factor as most of the people on the committee's second panel, who are sitting behind me, would think, and I will tell you why.

The first thing to say is that, in the 1970s, before Mrs Thatcher arrived, a number of authorities in England—Labour authorities—debated selling council houses, and indeed did. The reason for that was that there was a significant population of tenants who were doing reasonably well who wanted to buy the house that they lived in, and they were not asking for a huge discount to do so. There was a suggestion that that might give a bit more social diversity. At that time—I know that public housing estates were very different in the 1970s from what they are now, half a century later—there was a case for it.

As far as the impact of the right to buy is concerned, the people who bought their council houses were generally people who were in better council houses who were not going to move on anyway. The fact that they bought their house meant that they would stay in it for a long time, so there was not the immediate shock effect that lots of people—those who said, “This is the end of the system”—argued there would be. I think that there was a case that could be made for doing that, as long as, when councils sold, they replaced. In England, they did not do that.

I point out that, in Scotland, until well into the 1990s, the proceeds from council house sales were recycled in the Scottish Homes investment programme and appeared at the other end as housing association houses. That often led to the revitalisation of older areas and, indeed, the establishment of community ownership areas. That was stopped when the Treasury realised what the Scottish Office was doing.

That was not so damaging. The Housing (Scotland) Act 2001—at the time, I was Donald Dewar's adviser—aimed to extend the same set of rights to all groups of tenants in the housing sector. That led to an active discussion about whether the right to buy should be extended to housing association tenants. I thought that that was crazy—I did not think that it was appropriate to go there—but much less generous discounts were put in place, and councils could seek to have areas declared as pressured areas, which would suspend the right to buy. I was the author of the idea of the pressured area, and I was deeply disappointed that only about two authorities took it up. Therefore, it was not really a good idea—it did not really work.

I think that the net effect of the right to buy has been negative, but it has been nowhere near as negative as is often said to be the case. I cannot tell you what the balance of numbers is, because people have made up their minds about that, and I have not done any recent calculations on it.

09:30

Willie Coffey: Thank you for that perspective. I invite you to cast your eye forward into the future. What will the end of the housing emergency in Scotland look like? A number of authorities have declared a housing emergency but many others have not. What will the end of that set of circumstances look like, in your view?

Professor Maclennan: The process of authorities declaring emergencies is an interesting one. I wonder whether those authorities that are at the end of the queue have emergencies but think, “We can't declare one because it'll look as though we're too late into this. It'll look as though we're

not really awake and on the ball.” Obviously, politics makes a difference when it comes to whether there are good or bad housing outcomes in particular localities—that really is the case.

The “emergency”—let us agree to use that term for the present discussion—will not end until the number of people in homelessness is back on a downward curve. There is an increasing number of people who have been in employment but who are homeless simply because they cannot get access to decent social housing. It is not the case that all the people we are talking about are in that position because of immediate personal or social circumstances, such as marital breakdown. When it comes to that core total, you are dealing with a slightly different problem, but you have begun to manage to reduce it. That is one side. You will then see progress being made on the other indicators.

The end of the emergency—or progress—will look different to different people. The Scottish Government will have its outcome priorities, but it is important to recognise that local authorities might have different definitions of what they regard as important.

Mention has been made of the idea of a well-functioning housing system, which I have grappled with. My colleague and former student Ken Gibb, who was here last week, has done a lot of work in recent years on the housing system. I have been doing some advice work for the federal Government and the national housing agency in Canada on a systems view on housing. In order to think about a well-functioning housing system and to have a sense that the emergency has ended or that progress on housing has been made—whichever way you want to think about it—it is critical that you are clear on what your priorities are and that you track progress on them.

I think that Scotland is quite good on the first of those aspects, but not so good on the second. It is difficult to track progress on the “Housing to 2040” strategy. That has been disrupted because of the financial situation, but it is difficult to track progress on it. With many of the factors that the committee wants to track progress on, we do not even collect census or other statistical information. We have not changed our framing of how we think about the housing system, even though we say that we want to embrace it.

It is also critical to be clear about whether the system is performing effectively. In other words, you want to achieve your outcomes, but you want to achieve them as economically or as cost-efficiently as possible. In my view, there is a question mark as to whether we have the most efficient systems in place.

The last thing that you want to be clear about is how you connect your housing outcomes to your bigger outcomes for the economy, society and the environment. Since the 1950s, Scotland has been brilliant at thinking about the social consequences of bad housing. It has also been quite quick to think about the net zero and other environmental implications of good housing and good housing systems. However, in my professional view, it has been really poor at articulating the economic consequences of the housing system.

I do a lot of work on the effect of housing on productivity. When we look at the micro scale—individuals’ lives—we see that, through poor housing, we scar the labour future of poor kids for ever. There is also evidence of the fact that we do not think about how housing assets can be used efficiently to start up small businesses or to expand those that are already there.

There is a factor that is even more important than that. It is a factor not only in Scotland, but in the UK and the other countries that I deal with. We want to encourage an entrepreneurial and efficient economy, but if we have economic progress that leads to people spending increasing proportions of their savings to pay for the same bricks and mortar that were bought for less by a previous generation, that is not an effective economic outcome.

Comparisons can be drawn with European countries such as Austria, Switzerland and Germany, where relatively well-to-do middle-class professionals like me, who have good incomes, do not necessarily go and buy a second house to let it out to someone who is younger or poorer than they are. They invest in small companies. In Germany, a lot of innovation does not come from innovation zones beside universities or from the big corporates. There is a lot of innovation in small firms, which comes from investment by the relatively wealthy middle classes.

We do not do that. Why would someone who was living in Edinburgh who had a good job—I am talking about someone like me—want to invest in a firm? They would not necessarily know where it was going to go, but, by goodness, they would want to buy another house. When it comes to rates of return, there is zero capital gains tax—well, it is not quite zero, but it is close to zero. We have distorted things by creating such a system.

I am sorry to emphasise this point, but I have been on the Glasgow economic commission since it started. I am not telling tales out of commission, but I have a great deal of difficulty in getting members of the commission to ever talk about housing issues. Housing issues are really important in Glasgow, from the point of view of access to work and how people spend their money. Until four or five years ago, Glasgow had housing that was affordable, so it was attractive for

businesses to move staff there, particularly since the city had improved. We just do not get that—we never make that connection.

I apologise for not mentioning rural areas. When I live in Canada, I live in a rural area. The ability to make connections between housing and the economy and people's lives is critical in rural areas. Highlands and Islands Enterprise has done better in that regard than many places in the world have done. When it started out as the Highlands and Islands Development Board in the 1950s, its remit was economic and social and it included the concept of community, long before those were fashionable ideas. It has never really lost that, except in one 10-year period. I think that HIE has the ability to think about the economic connections in a way that other economic development entities do not.

I am sorry to have given you such a long answer.

Willie Coffey: That was a really long but very helpful answer to my question. I will forgo my next question to let other members contribute.

The Convener: It is great to hear from you. We will let the session run on for a little bit longer, but we are a bit tight for time, because there are lots of people sitting behind you in the public gallery who have things to say.

Alexander Stewart has some questions on longer-term issues.

Alexander Stewart (Mid Scotland and Fife) (Con): Good morning. You have already given us a very good appraisal of the system that we are in and indicated some of the changes that should or could have been made in the past to create a good foundation for a sustainable and effective housing system. I thank you for that so far. How effective are the actions of local authorities and the Scottish Government in working towards achieving a system that is progressive in the long term?

Professor MacIennan: If one is talking about individual programmes, some evaluations have been positive and others less so. My evidence in terms of understanding what is happening in Scotland is from reading statistical and other reports, as opposed to going out and reviewing the field. I do a lot of that in Canada and Australia. I found that having been a special adviser to one Government did not necessarily make me an attractive research proposition to another Government, so I found fortune in Australia and Canada instead. I understand that.

In relation to the longer term and how things are going, I think that the Scottish Government, continuing a tradition from the past, is good at talking about the social and homelessness

dimensions. It does not necessarily do what many people would want, particularly those from the next panel of witnesses sitting behind me, but it understands many of the issues. The Government is getting to grips with some of the net zero issues, but it has not acted on those.

In Canada, because all housing policy, commentary and debate tended to end up discussing the homelessness and poverty issues in housing and rental housing and not the wider system, the federal Government took housing out of employment and social development Canada and placed it in housing, infrastructure and communities Canada. That has led to a remarkable improvement in thinking about housing policy. Housing, infrastructure and communities Canada has been really good on homelessness, because everyone said, "Infrastructure? They won't do homelessness well," so the department made a particular effort to do it really well and has continued the interest in social development. Infrastructure departments naturally think about outcomes, both environmental and economic. The general framing of what housing policy is trying to achieve has significantly improved in Canada.

They are thinking about doing the same thing in Australia. If we are talking about a long-term structure, where would we place it in the Scottish Government? We do not have a department of infrastructure, which is a huge weakness. In my career wandering, post my experience in the Scottish Executive of the time, I spent five years as chief economist in the federal department of infrastructure in Canada, so it has always been interesting to come back and see how we do infrastructure. It is very fragmented. We have a department of transport, the Scottish Futures Trust, which does lots of good things, and so on, but there is not a consolidated view on infrastructure. If you go out to the metropolitan areas, the Glasgow city region does not have an infrastructure strategy and that is 10 years into the city deal; it does not have one. I ask the commission every year how the infrastructure strategy is going, and people say, "Oh, fine, but we do not have one." I understand why they do not have one, but we should have one. We also need a coherent spatial plan. Spatial planning, infrastructure and housing go together if we are thinking about building or rebuilding a country. We have fragmented those areas progressively since 1990—or non-progressively. It has not been a one-party thing, but an all-party thing.

09:45

My first thing is, get it sorted out at Scottish Government level and take co-ordinated decisions about housing from different departments. Different departments drive housing outcomes

more than the minister for housing does, and they are not co-ordinated. In a sense, housing programmes in Governments—the Scottish Government is like everyone else—are the palliatives. They have become the sticking plaster that gets applied when the consequences of the infrastructure policy, immigration policy, environment policy and every other policy impact housing costs and outcomes. Housing has to be thought of in a more constructive way and, in my view, it is best to put it in the infrastructure department. When we go down from that scale, real housing systems operate at the level of the individual neighbourhood and something like a metropolitan area or a rural region.

To make the right strategic decisions in the Scottish case, you need to do several things. There has been much debate about moving skills to the regional partnerships; that is a no-brainer. You may have to tweak where the partnerships are and align them with all kinds of quango boundaries—the plate of spaghetti that is the boundaries of Scottish quangos does not speak well to good governance in Scotland. If you sorted that out and had coherent and larger entities—I am not suggesting recreating regional government; I am talking about governance and partnership and bringing different orders and levels of government together—you could have a much more coherent strategic housing investment plan that was related to transport planning, and transport-oriented development related to spatial planning that gets to grips with the economic and social issues.

Beneath that is the role of councils. In managing the housing system, I think that there are too many councils in the Scottish context. There is a strong case for looking at the experience consequent to some of the city deals in England, where you had consolidated management by groups of councils agreeing what they might do.

The governance system really needs to change. The style of governance needs to be better informed. It needs to be much more on the pace in not so much evaluating but monitoring outcomes and feeding back and telling politics what is happening. You can get the first-stage strategy right—the housing to 2040 strategy was great at getting it right—but it never turns out that way. It always changes. Since housing to 2040, we have had Covid, various macroeconomic policies that did not quite work and a range of other things, including Brexit. The whole thing puts you off balance. We need a much more coherent structure.

If we want to change the outcomes, we have to change the way the non-profit sector operates. We have to change the way the land and development industry operates. We have to change the way

Government operates. Those are the three big sectors and we only ever talk about one of them.

Alexander Stewart: As you have identified, councils and local authorities want to promote and expand, but there are some—seven this year, I think—that have not built any houses at all because they do not have the capacity or ability to do that. We need to try to support that and create what is required for the future. You have identified areas that may be looked at to try to amalgamate, change and support one another to make that happen. Like you, I think that that is the right way to manoeuvre it and get it to the right place, but it is funding that always seems to be the problem, in that we do not have enough or the construction costs have changed or the dimensions of what can be achieved are not progressive. How would you try to affect some of that?

Professor Maclellan: Costs and prices reflect both demand and supply. The supply-only emphasis of the big policy debate in the UK is misplaced. We have to look at the demand issues as well.

On the supply side, construction costs have increased significantly, as have land costs. There are some very important areas in here. We discuss those issues and more efficient behaviour, but eventually we get back, five years down the line, to the things that we try to avoid politically, which are tax and land. In the Scottish context, we have to think seriously about land and how it comes into the development process.

The federal Government of Canada recently decided that public land is to be offered to non-profits to deliver on homelessness and low-income housing outcomes. Public land has not been given to home ownership initiatives, because the affordability gets there once. The Government is leasing the land for 100 years, so that the value of the land still sits as an asset on the Government's books. That makes good sense. Do not just talk about having a register of public land, do it. Say, "This land is being provided for 100 years at zero cost." That makes a significant difference to the margin. You could think about how to work some home ownership into that, but that is a second order question.

There also needs to be a much greater willingness to use compulsory purchase powers, particularly in areas where there are resistant land sellers who just get a huge uplift—to go from the price of potatoes to the price of platinum bars, just like that! Oliver Letwin's report to the UK House of Commons about three years ago talked about the gap between the value of land in agricultural use and then in residential use—in other words, all the hope value that goes into that. The increase in value was quite often 30 to 40 times. Oliver Letwin said that we should limit that. There is a very

strong case for the Government to look at that because, ultimately, the people who gain the most from doing nothing in all this, are the people who own the land. I do not want to sound anti-landowner. I am not. I am anti a position where people who are at the top end of the wealth and income distribution essentially capture the gains from all the other shortages in the system. That is a very difficult political issue, but if you want to address it, if you want to solve that land cost issue, you have to get at that.

You also need to think about some land tax issues. A couple of Australian states have moved away from land value transfer taxes to a systematic land tax. In other words, you pay your local taxes on the basis of a land tax, which is very much aimed at providing more local revenues and state-level revenues. It is difficult to make the transition but a couple of states are doing it. There are arguments for it and of course people argue against it. I think it is well worth looking at that.

One should not do personal anecdotes, but this one relates to issues in rural Scotland. My 92-year-old uncle died about two years ago. He ran a small farm in the north of Mull. It has absolutely the best sea view in the world. He was concerned that there were no local young people. He was concerned about it because he said, "There are no pipers in this village any more." So his motivation was not entirely social, it was sociable—social in another sense. He had been happy to give a piece of his land to build five houses for younger people. He was turned down. He knew his land well. He knew when you came around the curve in the road you could not see the houses. You could not see them as part of the general vista. He was simply turned down: "No, this is an area where we do not build any housing." Rural Scotland has to get to grips with that.

Sorry, I did not answer your question about the future very well. We are going to have to have net zero housing not only in terms of the interior of a house, but in terms of net zero demands on transportation to work and household activities, or as close to that as we can get. We have to have that as the future.

In the rural context, the opportunity for rural areas to be not only the source of environmental services for all of us, but also to be energy producers in the way that some of the community land trusts have done is a fantastically progressive thing. I believe that it was a Conservative secretary of state who developed the first land trust in Scotland. They have been a great credit and people in Australia and Canada are looking at them now. Community land trusts are flavour of the month in development and we should push them much harder.

You can tell that I had ancestors who were cleared. When big estates in the Highlands are transferred, instead of the public sector always having to pay for a significant tranche of land, it may be that a slice is taken, basically as a form of transfer tax, and devoted to community wellbeing. That is the closest to a Marxist Communist argument that I have ever made in my life.

The Convener: What you are sharing with us this morning is tremendous. We have a couple more questions and we need slightly shorter answers if possible. That would be tremendous.

Emma Roddick (Highlands and Islands) (SNP): Good morning. Can you speak to the difference between the roles of the social and private sectors as you see them?

Professor MacLennan: I always think that, if you have a really well functioning social security system in which people below certain levels of income can use a benefit to access reasonable-quality private rented housing—I remember that "Let housing benefit take the strain" was the ministerial statement in the 1990s—and if private landlords are efficient and well organised, you do not necessarily have to see a huge difference. Indeed, in some European systems, low-income households have been in privately owned rented housing, because the regulatory and social security arrangements support that. Ours do not. In my view, we created a big private rented sector in the late 1990s because we were failing to deliver home ownership as well as failing to deliver non-profit and public housing. We have this big rental sector because we failed in the other things.

In that context, the real opportunity is to go for the sector that has a reputation for good management, not only of their properties but of the neighbourhoods that they are in. In that case, I would see the non-profit sector as playing the big dominant role in meeting relatively low-income housing needs. The Scottish sector has a good record in that respect. In fact, when I operate abroad, people talk about a number of aspects of Scottish housing policy—among them the homelessness policy, the non-profit sector and community land trusts—as being things of international interest.

I think that the sectors play different roles. That said, the private rented sector plays a role, too. When it comes to the housing system, I do get concerned about how we deal with short-term lets and mobilities. Let me put it another way: part of the function of a rented housing sector is to allow people to move around, perhaps for a few months at a time. There is, increasingly, a business element to relatively shorter-term lettings.

However, I do not want to get into that grief, not least because I have a vested interest in it. When I

go to live in Canada for five months a year, I let out my flat in Edinburgh. I do not feel guilty about it, because it would not be a good idea just to leave it lying vacant. That would not add to anything. However, I do think that there has to be some sector that is responsive to relatively short-term market forces, and I think that the rented sector does that.

10:00

As for where the distinctions between them get blurred, I think that the mid-market rented sector was an opportunity for the non-profits to spread some of their overhead costs. It is expensive to have a housing director—unless they volunteer to take a pay cut, as the biggest one recently did. If you are running only 1,000 or 2,000 units, but you can do mid-market rents, too, that is efficient and indeed gives some protection.

About seven years ago, I interviewed four of the largest pension funds in the UK, and they were all interested in equity financing of mid-market rented housing through non-profits. There was no reputational risk; there was good neighbourhood management; and they were relatively safe.

I hope that that answers some of your question.

Emma Roddick: Absolutely. Thank you.

If you were Minister for Housing—your nightmare job—how would you get around the Scottish Government's lack of fiscal powers when looking at house building as a response to the current problems?

Professor MacLennan: That is why it is a nightmare job. The fiscal structure of Scotland is like that of a Canadian province.

What a housing minister would do is make the best possible case in any allocations of capital within the public funding discussion, and that would be helped by having stronger economic arguments and getting the people running the economic portfolios to have an understanding of what housing did. At the Chartered Institute of Housing conference in Glasgow in March, I spoke after Paul McLennan and asked him whether he had on his desk three papers that told him the environmental, social and economic outcomes of housing policy in Scotland, and if he did not have them, whether he could get them on his desk within two weeks. He did not answer the question then, but he did tell me the answer later. In other words, the answer was no. Therefore, I think that I would be pushing ministries really hard, and I would also be pushing other ministries and the First Minister to say, "Look, I want a housing impact statement from these people that says this is going to change this, this and that."

Where is that housing impact statement? We have an emergency in housing, and we want impact statements about it in the same way that we want environmental impact assessment statements on different programmes. Housing is certainly underfunded, but the fact is that other policies impact it, too, so let us remove the damage being caused by other policies if we can, and let us change some of the behaviours.

If you were to go to the national health service in Scotland and say, "You've a piece of land that would be good for housing", it would sell it to you at full market value. That is because the green book tells it to. It suggests that the way in which we calculate things in Government, and those values, are not consistent with the Government's own objectives. So you can begin to attack those things; they are relatively small, but they do add up.

The housing minister has—appropriately, I think—been trying to run a housing investment task force, trying to have a discussion and trying to see how you can leverage things. As I suggested earlier, I would look at whether the capital base in the non-profit sector is being appropriately leveraged.

Emma Roddick: Finally, you have mentioned the purchase of land a few times. Do you have any thoughts on the purchase of existing houses, particularly in rural areas, where there might be quite a lot of unused housing available but it is not in the right hands? Do you think there is justification for the Government to bring in policies around first refusal to social housing providers when appropriate housing goes on the market?

Professor MacLennan: Yes, I do. I know of communities where young people who could have had local jobs have had to leave, because there were no houses, and the enterprises that were relying on that labour supply did not do very well. In rural Scotland, not only are some of the places where people live inaccessible and difficult, but the condition of the housing stock is really bad, too. So, yes, I do think that there is a case for doing as you have suggested.

Emma Roddick: Absolutely.

Finally, going back to the fiscal rules, do you think that there is a case to be made to the UK Government to expand what the Scottish Government is able to do, particularly around borrowing?

Professor MacLennan: Should Scotland have its own borrowing capacity? The answer is yes. The recent shift in the definition of public borrowing towards net borrowing—that is, you look not just at expenditure; instead, you deduct the value of the asset to give you the control total—would be an interesting and important discussion

for the Scottish Government to have with Westminster. After all, a subnational Government is better able to understand asset value than Westminster.

Any area of Britain—not just Scotland—could argue with the Treasury and the Bank of England and say, “The rules and so on have been very difficult for us.” I know why it is a particular issue here, but given Rachel Reeves’s redefined solution for finding extra billions, I think that it would be a good discussion for the Scottish Government to pursue.

The Convener: Thanks very much. That cues up Fulton MacGregor and his questions about the UK Government.

Fulton MacGregor (Coatbridge and Chryston) (SNP): Good morning. I have a couple of questions, but, in the interests of time, I can probably condense them.

Professor, you were talking to my colleague Emma Roddick about what the UK and Scottish Governments can do together. Are there any other actions that the UK Government could take to help the housing emergency here in Scotland? A couple of examples that the Scottish Government is regularly sighted on are the abolition of the bedroom tax and the restoration of the local housing allowance. What do you think of those specific points, and of the wider issues in that respect, too?

Professor MacLennan: I am not an expert on the social security side of things, but I think that certain rulings and policy positions, which the new UK Government has adopted—the two-child limit and so on—have been very unhelpful in dealing with low-income families and people in poor housing across the UK.

Watching from afar, I found people’s recollections about the first few years of the Scottish Parliament very interesting, because I actually worked for the First Minister through that period, and what you saw at that time—I am not talking about the Scottish National Party but what was happening within the Scottish Parliament, Westminster and the civil service—was essentially zero collaboration from the beginning. Prior to devolution, if there were any ideas on housing policy, or any shifts in policy taking place, Scottish Government civil servants would actually be at the meetings in London and know what was going on.

In the three years that I spent there—and particularly when John Prescott was responsible for housing—we would get press releases about housing and urban policy at 7 o’clock in the morning; he would be making a statement in the House of Commons at 3 o’clock in the afternoon; and the First Minister would have to say something, too. That communication between

politics and the civil service, in which we were part of a wider discussion about UK-level measures, stopped, and the matter was never really addressed by the council of the islands.

Among the issues that we talk about with regard to the impact of prudential regulation and prudential borrowing are the problems facing first-time home buyers, which have a lot to do with what the Bank of England and the Financial Conduct Authority decided should be the stress-testing arrangements. Are they entirely appropriate for us? The tax arrangements that are in place but which are not part of the tax spectrum of the Scottish Parliament are actually very important in housing outcomes, but they do not get discussed. Therefore, I think that communication on the aims is really important.

Even in the depths of Nova Scotia—where I manage to read the Scottish papers before I go to sleep at night, because we are behind you in terms of time—I thought it very odd that, in a meeting about all the big cities in Britain with the devolved Administrations, Glasgow and Edinburgh were not directly part of the discussion. What I am suggesting is that a lot of the real action to solve emergencies takes place in metropolitan and rural region areas, and the new Government at Westminster has, I think, created a problem for all the parties in Scotland with this asymmetric discussion of what the big issues might be.

I am not really sure that that really goes to the heart of what you were asking about, but I think that that is all I have to say on that.

Fulton MacGregor: Thanks very much for that.

The Convener: Thank you very much, Professor MacLennan, for joining us this morning. I have allowed the session to run a bit longer, because I felt that your answers were really useful to the committee and our work. I very much appreciate your coming and joining us this morning.

I am now going to suspend briefly to allow for a changeover of witnesses—

Professor MacLennan: Thank you for being patient and not switching off my microphone, convener—it has happened to me before. I was watching Bruce Springsteen’s recent documentary—

The Convener: I might just switch it off now. *[Laughter.]*

Professor MacLennan: He said that he had been doing what he was doing for 50 years and it was difficult to stop. Well, that goes for me, too. Thank you.

The Convener: Thanks very much.

10:12

Meeting suspended.

10:17

On resuming—

The Convener: We are joined on our second panel by Callum Chomczuk, who is the national director of the Chartered Institute of Housing in Scotland; Sharon Egan, who is the head of housing services at South Lanarkshire Council, and is representing the Association of Local Authority Chief Housing Officers, otherwise known as ALACHO; Eilidh Keay, who is the Edinburgh city chair of Living Rent; Jennifer Kennedy, who is the director of public affairs at Homes for Scotland; Carolyn Lochhead, who is the director of external affairs at the Scottish Federation of Housing Associations; and Gordon MacRae, who is the assistant director of communications and advocacy at Shelter Scotland.

We will try to direct our questions to specific witnesses where possible. If you would like to come in, please indicate that to the clerks. As usual, there is no need for you to operate your microphones. We will do that for you, so that is one less thing for you to think about as you are considering how to respond. I will start with some general opening questions, and then I will bring in my colleagues.

We have put this question to pretty much all the panels of witnesses. It has been six months since the Parliament agreed that there is a national housing emergency. In general, how would you assess local and national responses to the emergency so far?

I put that to Jennifer Kennedy and then Caroline Lochhead. It is probably a question for all of you to respond to, but you need only do so if you have something new and different to add to what has already been mentioned.

Jennifer Kennedy (Homes for Scotland): You need only look at the key indicators, such as the number of children in temporary accommodation, the planning statistics that were issued yesterday and the downward trends in housing completions and starts to see that things are not improving. Indeed, they are set to only get worse. That is not just our opinion—that is what the data is telling us.

Carolyn Lochhead (Scottish Federation of Housing Associations): The response that we have seen has been genuine, and real efforts are being made to try to address the situation, but we need to look at the bigger picture and try to move out of that situation. We see that the turnover of tenancies is down, so fewer people are moving on from their social housing, which, in many ways, is good. Those homes are meant to be homes for

life, but fewer of them are available. Demand is up—I know that you have heard from previous witnesses about the level of demand that they are seeing for social housing—but fewer homes are being built.

If we take those three things together, we can see that we are not on a long-term path that would enable use to come out the situation. As we look towards the Scottish budget, which will be published in a little while, that really needs to be uppermost in our minds.

Gordon MacRae (Shelter Scotland): The question was about our view of the response, locally and nationally. Nationally, it has been a bit lethargic, to be honest. There have been a lot of good intentions—I am very conscious of the quite limited capacity in some parts of the civil service to respond substantially—but I do not think that it is being unkind to say that, in relation to what the Government is planning to do, we are seeing business as usual repackaged with some new subheadings.

Locally, things are far more concerning. We are seeing a harmful situation getting incredibly dangerous, particularly here in Edinburgh, where there is an immediate crisis in respect of the use of houses in multiple occupations—HMOs—raising the very real prospect that 700 households, including 25 households with children, will not know where they will spend Christmas.

Those are things that we have known about. They are predictable and we have been talking about them. They are why we were talking about a housing emergency. I share Chris Birt's comments of last week: it does not yet feel like an emergency response from Government.

Callum Chomczuk (Chartered Institute of Housing): I will add to what Gordon MacRae said. Although I agree that there is concern at a local level, local authorities are working to the limits of their powers and their resources. The 12 declarations of housing emergencies by councils have not been made flippantly.

I know that there is a debate about what is a housing emergency and what is not. However, even those local authorities that have not declared a housing emergency are still working in the spirit of there being an emergency. Recently, Falkirk Council paused all non-urgent repairs so that it can focus on void management. Irrespective of whether a council has declared an emergency, there is a consistent response across Scotland's local authorities to address the alarming figures that Gordon MacRae has just set out. He is right: we need to see that scale of response from the Scottish Government.

You heard last week, and you will hear from us today, about the need for financial support and

commitment. Earlier, we heard about the need for clarity on the outcomes that we are trying to achieve through our housing policy and delivery programme. That is the scale of response that we need.

We also had the UK budget two weeks ago and we are waiting for the Scottish budget. I hope that that gives the Scottish Government and the Scottish Parliament greater flexibility on what they want to focus on. However, if we are talking about an emergency, what we need is a short, sharp response. For the rest of this parliamentary term, we need to focus on addressing the alarming indicators that Jennifer Kennedy and Gordon MacRae spoke about, and on eliminating and reducing the number of children in temporary accommodation, minimising homelessness and building more homes.

Sharon Egan (Association of Local Authority Chief Housing Officers): Good morning, everyone. I appreciate that you heard from many of my colleagues last week when they were presenting information about whether they had or had not declared a housing emergency. On behalf of ALACHO, I want to put across that councils, whether or not they have made an emergency declaration, are under significant pressures from increased levels of housing need and from localised issues. We are working flexibly and to capacity in reacting to those changes.

As part of the reporting mechanisms, ALACHO has been collating information over a number of years to identify performance, using the red, amber and green—RAG—system, and the pressure that we are experiencing. We are seeing local authorities going from green and comfortably able to achieve statutory outcomes to amber and then, in many cases, to red. The recent publication of HL1 returns demonstrates, evidences and reinforces the point.

Strategic action plans are being developed across local authorities, and ALACHO has been sharing them. We have carried out a deep dive into the housing emergency and shared any good practice.

The Convener: Eilidh Keay, from the perspective of Living Rent, how do you assess the local and national responses to the housing emergency?

Eilidh Keay (Living Rent): I echo what everyone else has said. Although we can declare that there are national and local emergencies, let us put our money where our mouths are and take action. On the ground, we have seen the constraints on local government—they have limited powers and limited resources to raise the necessary funds.

The previous witness mentioned revenue raising. It is important to start having a conversation about that. I hope that the budget this year presents an opportunity for the Scottish Government to use the powers that it has. Last year, it was disappointing to see what happened with regard to the recommendations from the Scottish Trade Unions Congress. Ultimately, it comes down to having the money and empowering local authorities to act. They want to act but cannot because they are so constrained.

The Convener: I have another general question, which, again, is probably for all of you, although you do not all have to come in. I asked Paul McLennan—I mean Duncan MacLennan. I asked Professor MacLennan when we will know when a housing emergency is over and what that will look like. I will probably ask Paul McLennan that; maybe I have already asked him. I put that to Duncan—sorry, I mean Gordon MacRae.

Gordon MacRae: That is not the first time that I have been called Duncan.

We started campaigning for housing emergency declarations in response to the emerging picture that we were hearing on the ground from the Scottish Housing Regulator. The most telling statistic overall is that 10 local authorities are either at heightened risk of being in systemic failure or are in systemic failure. What does that mean? It means that they cannot be regulated. It means that they are breaking the law. That is not what they want. Good intentions will not get us through this. Scotland's homelessness system is fundamentally broken and there is currently no plan to fix it. The people tasked with regulating that have told you and others that this is happening.

We will know that we are coming out of that when we can see downward trends in the numbers of children in temporary accommodation, homeless applications, the length of time in temporary accommodation and access to permanent accommodation. Right now, we are trying to get to a place where the numbers are not going up as quickly as they have been. It looks quite far away from being able to say that we are out of the emergency and back into the old crisis that some of us seem to want to get back to.

The Convener: Does anyone have anything new and different to add to what Gordon MacRae has just said?

Callum Chomczuk: It is not a number that we are looking at. As Gordon MacRae said, we are looking at trends and at the scale of the situation. Many of us are part of a coalition that has created a housing emergency action plan, and it has sent recommendations to the Scottish Government,

setting out actions and what we want to happen. Gordon has mentioned most of those.

Sharon Egan's point about the ALACHO RAG report was really instructive. Two reports have been produced over recent years showing a worsening picture. We need to see that turnaround. We need to see increasing supply, homelessness going down and confidence in homelessness prevention. We need to see that trend, but there is no absolute number to point to. As we have mentioned already, a declaration of emergency in itself does not determine whether there actually is a crisis.

Jennifer Kennedy: We also need to ensure that we take a whole-system approach and a long-term view. Given the interdependencies across the sector, only then will we see a system that works and supports everyone at all stages of their housing journey.

The Convener: Willie Coffey has a number of questions.

Willie Coffey: First, I hone in on the current tools that might be at the disposal of councils to try to do something about the situation, particularly the homelessness situation.

Last week, we heard from the City of Edinburgh Council that, commendably, it has managed to recover 500 houses from its void stock to make a contribution to help with the problem. We know that councils have powers over acquisitions, and that some are perhaps deploying those more than others. Can we get a little flavour from the witnesses about how they see these tools being deployed at a local authority level? Sharon Egan's hand was up first.

Sharon Egan: I do not mind kicking off. A number of tools are available to local authorities, and we in ALACHO have been taking that forward and sharing best practice. We are ensuring that we are making best use of those.

You mentioned some things—I know they were discussed in a lot more detail at last Tuesday's session—including voids. There is a downward trend nationally in the number of voids. That is within our gift; it is a localised issue.

I can give a bit of context from South Lanarkshire, although I am not here to speak on the council's behalf. Following the severe weather that we experienced in December 2022, South Lanarkshire accrued a backlog of more than 400 voids. Now, we are under the 200 mark. We made local improvements. We looked at individual parts of the void processes to bring them back into play and to see whether we could make efficiencies. We have shared that practice nationally, as have other local authorities. Voids is one thing; that is day-to-day business for us as social landlords.

10:30

Willie Coffey mentioned empty homes. Edinburgh and other cities have made massive strides in bringing back empty homes into use. That is quite an intensive, long journey.

Another aspect to balance is our allocation policy. I know that that was discussed in a bit of detail last week as well. It is about striking a balance between maximising our lets to our urgent homeless list in order to meet need and demand and making sure that there is a bit of turnover by ensuring that lets are being put on the general waiting list and on the transfer list to keep throughput up.

I will finish on acquisitions. We have been taking a different view on that over the past couple of years. Even before emergencies were declared, we recognised that there were increased levels of homelessness and we were looking at how we could get a quick fix for that. Responding to the emergency is a short-term action. The affordable housing supply programme allows us to bring into use new homes that meet specific needs and are energy efficient. With acquisitions, we are buying back older stock that needs a bit of money spent on it. That adds to our void pool. We need to undertake housing investment programmes, but there is much quicker turnaround with acquisitions. I know that you discussed that last week, convener, when buying back three properties for the price of one new build was mentioned.

Jennifer Kennedy: On acquisitions, there is a chronic undersupply of homes across all tenures, so buying back from the existing market for affordable housing is, to our mind, shifting deck chairs. It is simply creating pressure elsewhere in the system.

Callum Chomczuk: I will move the discussion on to another aspect of the role of local authorities. They are increasingly trying to utilise the private rented sector in other ways, including by creating local authority-led private rented sector letting agencies and by providing information and advice for tenants and landlords. The committee has heard before about the importance of ensuring that the private sector feels regarded, so that we do not have landlords leaving the sector, perhaps with properties becoming short-term lets. That is crucially important. We are seeing that utilisation across the sector, but, as Jennifer Kennedy said, those are marginal gains at local authority level, and that a systemic approach, which can be led only by the Government, is needed.

Carolyn Lochhead: I know that the question was about the powers of local authorities, but it might be useful to touch on the role of housing associations. I should have said at the start that SFHA represents 133 housing associations that

provide homes for about half a million people across Scotland. Roughly speaking, that is about half of the social housing that exists.

I mentioned that fewer homes are becoming available. In the last year that we have figures for, about 1,000 fewer homes became empty. We are dealing with a reduced number of available homes. Nonetheless, housing associations have reduced the time that it takes to turn round a void. That is down from 44 to 39 days. Work is constantly being done to ensure houses are not sitting unused. That is not in anyone's interest.

There are a few other things that we could do to try to get as many homes into use and to ensure that homes are as practical as possible. One thing is to ensure that we can fund things such as aids and adaptations, so that people can live independently in their home rather than being in a home that is just not appropriate for them or being stuck in a hospital bed. We have seen the funding for adaptations cut by about a quarter in the past year. This year, our members got a lot less funding than they needed. That means that lots of people have homes that are not suitable for them to live in. We could really focus on that aspect.

We have talked a bit about acquisitions. It is not just councils that do that; housing associations can do that, too—and they do. The policy tends to focus a bit on local authorities. It would be helpful to have clearer guidance on how housing associations can do more of that. There is also a need to look at whether funding can be provided to make it easier for housing associations and councils to carry that out. For example, for a while, Glasgow had a policy of 100 per cent funding acquisitions, which was genuinely helpful. However, I take the point and agree with it that all that you are doing is moving houses across tenures and that, fundamentally, we need to increase the number of homes that are available.

Willie Coffey: I was going to ask what more could be done by housing associations, but you have answered that pretty well.

Sharon Egan talked in detail about the acquisition programme. Could the witnesses say a few more words about whether we could improve or expand it to try to address the range of problems that we find? Are there other experiences that could provide the Government with advice on how to improve the programme and make an impact?

Gordon MacRae: The key thing is to be clear on why we are prioritising acquisitions now and on the purpose of such acquisitions. As other witnesses have said, acquisitions have always been part of the mix for the general supply of housing, mainly in relation to stock management in blocks of flats and so on.

However, from a homelessness perspective, acquisitions have come on the table because immediate harm is being experienced by households with children who are staying the longest in temporary accommodation, as local authorities and housing associations are not able to allocate existing stock for them. Our position is that acquisitions should be utilised to prioritise larger households—in effect, households with children—and to alleviate the bottleneck in the homelessness system, so that the system gets back to dealing with mostly brief and non-recurring cases of homelessness rather than people who have been trapped in temporary accommodation for years on end.

The measures of success for acquisitions need to evolve slightly. We should consider the impact of the harm that is being experienced; they should not be thought of just as one of the key tools for general stock management.

Willie Coffey: Any there any other views on how we can develop the acquisition programme and others to tackle the problem?

Callum Chomczuk: The important point is that, as Gordon MacRae touched on, landlords are acquiring homes, as they always have done, and they recognise the challenge. We are in a housing emergency. Increasingly, landlords have been purchasing homes at scale. Last year, the number of homes that were purchased through the acquisition programme was the second highest in the past eight years. We know that more landlords are not developing, so acquisitions will play an important part. The importance of acquisitions in contributing to addressing the existing emergency is recognised.

However, the CIH's concern—which is, I think, shared by most of the other witnesses—is that, if we overly focus on acquisitions as the means to get through the crisis, we will create greater problems further down the line, because we will not be building capacity in the sector. A number of landlords are not developing, and development teams have been let go by social landlords across the country. The focus is, understandably, on getting through the crisis, but if we address the issue of temporary accommodation only through acquisitions, we will never address the housing emergency.

We need to have a balanced approach. Although acquisitions are hugely important, we need to be developing, too. Fundamentally, that means having a greater financial focus on housing, which there has not been this year.

Willie Coffey: Are there any other comments on the wider basket of tools that we could deploy to try to make improvements?

Gordon MacRae: I know that I have already spoken, but I would like to say something else very briefly—I will try not to hog the microphone.

There is an issue with some of the social housing net zero standards, which Sharon Egan touched on. We should take a pragmatic approach to acquisitions and consider how we can support local authorities and social landlords to take a longer risk profile in that regard. We do not want to say, “Let’s bin the social housing net zero standards,” but the question is how we get there. What is the role of the taxpayer in meeting some of those standards? We are quite happy for owner-occupiers and private tenants to live in properties that would not be available to alleviate the problems in the homelessness system, because of the conflicting priorities.

Willie Coffey: Thank you.

Alexander Stewart: You have touched on the finances that you hope will be provided in the upcoming budget. How should the Scottish Government use the additional funding that it will receive as a result of the UK budget? How could that funding tackle the housing emergency that we face?

Carolyn Lochhead: The first priority has to be how we use the additional capital budget. We are expecting an extra £610 million of capital funding, which must go towards building affordable homes. There have been sustained cuts to the affordable housing supply programme budget over the past couple of years, so the first priority should be getting that budget back up to the level that it was at and, indeed, beyond that, if we can.

As far as possible, we should provide some multiyear certainty, which, I know, is very difficult to provide in budgets. Up until now—certainly over the past few years—the real strength of the affordable housing supply programme was that there was certainty on recurring and stable funding, so people could plan on the basis of starting to build the next year or the year after. Faith and confidence in the system have been shaken, so it would really help if we could, as far as possible, direct capital funding towards building affordable homes and reintroduce certainty that the budget will be provided for a while.

This does not directly flow from UK budget decisions, but another relevant issue relates to the net zero requirements, which Gordon MacRae touched on. One of the reasons why our members are building less—it is only one of the reasons—is that they do not have certainty about what they will need to spend in order to meet the next set of social housing net zero standards. Quite recently, the regulator has reported that such budgets are not appearing in housing associations’ financial projections, because it is impossible. We do not

know what the costs will be, what support will be available or what the timescale will be for meeting those standards. All that means that many boards of housing associations, as responsible organisations, are taking the view that they simply cannot move to develop when there is massive and expensive uncertainty, so providing certainty in that regard would be hugely helpful.

Sharon Egan: I agree with everything that Carolyn Lochhead said about additional funding. Additional funding for the affordable housing supply programme gives a longer commitment, and it allows for more strategic planning and for rolling programmes. Some local authorities across Scotland paused or slowed their delivery programmes on the back of funding for the affordable housing supply programme being cut. Developments are not finalised within one year, so we need that commitment and security, especially given the financial position of local authorities at the moment. There is an element of risk if we commit to multiyear developments. We need that commitment so that we can take forward developments and even shadow delivery programmes, so that, if any additional funding becomes available, we can step up and, as Callum Chomczuk mentioned, have the resources behind us in our consultancy and design teams to allow us to follow through with developments.

Jennifer Kennedy: I reinforce the points that Sharon Egan and Carolyn Lochhead made about having certainty about future investment. As Callum Chomczuk alluded to, our sector is currently taking very difficult business decisions, largely due to lack of certainty about investment.

Eilidh Keay: Obviously, we need capital funding to build more, but local authorities also need money to enact the powers that they have. For example, they need to put more money into private rented sector teams so that they can actually enforce the requirements on private landlords. I am based in Edinburgh, but I know that housing officers in general are under such constraints that they cannot fulfil their current duties. Although the capital funding needs to go towards building more housing, we also need to ensure that local authorities are able to fulfil their current duties.

The Convener: I have a follow-up question. It is important to note that, under the Verity house agreement, the Convention of Scottish Local Authorities asked for less ring fencing, so it is quite difficult for the Scottish Government to say that it is going to direct spending on specific things in relation to enforcement and so on. How should the Scottish Government tackle that issue? We want to see different outcomes in the housing sector, but we want to honour things such as the Verity house agreement and the fiscal framework.

Callum Chomczuk: In our discussion on the challenges, it is important to stress that we still want standards to rise in the housing sector. None of what we are talking about means diluting standards.

In the previous session, we heard about how important “Housing to 2040” was in setting the vision for improving housing stock, but we are looking for immediate priorities. What are we phasing over this parliamentary term and the next one? There is an on-going consultation on updating the housing for varying needs standards—that is massively important, because they have not been looked at for more than 30 years—and there is an on-going consultation on Passivhaus standards and broader issues relating to net zero, but we need clarity. What are the short-term expectations on landlords as we move towards focusing on the medium and long terms? Certainty on that and on budgets over the next two years, as other witnesses have suggested, would, I hope, catalyse a positive response.

10:45

On the question about the Verity house agreement, there is a mixed picture across Scotland, which is, in part, why some local authorities have declared a local housing emergency and others have not. In some parts of the country, the pressure is less acute, so there has been less need to respond in a more targeted and emergency way. Where emergencies have been declared, there has been a response at the local authority level, which is the purpose behind declaring a housing emergency. There is a response not just by the housing and homelessness department but by the entire local authority and public bodies across the area. We should trust local authorities with the budget to allow them to respond to the emergency in their areas. That, matched with national resources for the affordable housing supply programme, would make all the difference.

Gordon MacRae: On the point about the Verity house agreement, the tone that Scottish ministers have taken on homelessness has been very different from its tone on teacher numbers, for example. We are in a situation in which local authorities are unable to fulfil their legal duties, according to the Scottish Housing Regulator, which is tasked with keeping them to task. That means that they are knowingly acting unlawfully every day, but there has been no suggestion—I am not necessarily saying that there should be—of either ring fencing funding or sanctioning those local authorities. However, when there was even a hint that a local authority might cut teacher numbers, it was threatened with the withdrawal of cash. Those are political choices and self-imposed

constraints. If Scottish ministers want to do something different, they are well able to do so, and we think that nothing should stop them in the case of a national emergency.

Alexander Stewart: We have touched on voids and the potential to bring properties back into use. Some local authorities are working well on that, but in others it is a bit more of a struggle. We also know that there has been a 17 per cent decrease in all-sector house building, and our witness earlier this morning touched on infrastructure and the impact that that can have on how we manage things in communities.

How do you see the sector managing all of that—the voids, the decrease in house building and the way that we are progressing on infrastructure—to alleviate the problems? We have heard about where the finances come from and where they should go to bring certainty back to the sector. However, if that certainty is not created, the emergency will continue into the future.

Jennifer Kennedy: Essentially, it comes down to the fact that we need to build more homes across all tenures and we need to have a policy environment that supports that. At present, there is a raft of regulation that is making it more difficult for home builders to deliver homes across all tenures. That has to be addressed urgently. As Gordon MacRae said, we are in a housing emergency but we have not seen the use of any emergency powers. Why is that? That must be considered as well.

Eilidh Keay: I agree that we need to build more homes, but we should also look at wider problems such as those in the planning system. The Competition and Markets Authority said in the report that came out in February that the planning system is speculative and limits the number of private developments. What would happen if we were to liberalise it? The private sector is not currently building the homes that we need. If we look back to post-war house building, the mass programme of social housing building was carried out under some of the most restrictive planning legislation that we have had. Believing the idea that we just need to build without consideration to things such as tenure is where we are going to get this wrong.

We need better resourcing for councils so that they have the money to do it. Living Rent ran a campaign to get the City of Edinburgh Council to use some of the council tax money for home building. That feeds directly into what has been said about infrastructure. Housing is local infrastructure. We can say, “Build, build, build,” but we need to look at why things are not happening and take a more direct approach such as that one.

Jennifer Kennedy: On the planning aspect, the CMA report says that the planning system is limiting the level of house building because of its lack of predictability; the length, cost and complexity of the process; and the insufficient clarity and consistency in the system. As we understand it, the Scottish Government is yet to respond to that report, but the planning system is ultimately a key driver behind the building of new homes, and that applies across all tenures.

Callum Chomczuk: One thing that the sector and the Government have talked about for a number of months now is looking at housing as a national outcome and how we can embed it as a clear commitment. As Professor MacLennan said earlier, some of the indicators could be about economic growth, increasing supply and reducing the use of temporary accommodation. We can debate that, but setting out clear national indicators with housing at their heart can be a real catalyst for wider thinking. Responsibility for housing lies more widely than only with housing departments, RSLs and developers. It is a societal responsibility, and we need to consider the roles of, for example, health boards, justice and education departments.

We need clarity from the Government about what housing it wants to be delivered and what outcomes it wants to see. As the committee will know, in the previous session of Parliament, there was a commitment to build 50,000 homes. When Audit Scotland undertook an inquiry into that, it found that, while there was demonstrably delivery of the 50,000 homes, there was no clarity about what outcomes were expected from that programme. If we were much clearer about what we expect from house building programmes and housing policy, it could have a catalysing effect across voids and infrastructure and mobilise the machinery of the state.

The Convener: I direct my next question to Callum Chomczuk. Callum, in your written submission, you note that the private rented sector is

“an essential part of our housing system”,

but that there is a need to make sure that it

“is a viable and attractive option”

for investors. We are interested in understanding how the role of the PRS could be maximised to provide housing options for those who are at risk of homelessness. Will you comment on that?

Callum Chomczuk: The PRS plays a huge part in providing homes for homeless households across Scotland. However, as I think I previously said to the committee, the current iteration of the Housing (Scotland) Bill has helped to create an environment in which we have seen landlords

leave the sector. Decreasing the overall supply of residential accommodation is clearly going exacerbate the housing emergency.

It is very important to have a more positive and ambitious outlook on the role of the private rented sector that encompasses what it can do, where it should grow, where it should shrink, the standards we want to have in it and clarity about the rights and responsibilities. It is a dynamic and accessible part of the housing sector and it is essential to meet housing needs because the transient needs will always be there, particularly in our cities. We need to be positive about housing in the private rented sector. Fundamentally, we need the balance between different tenures, and it is really important that people can move between the social rented sector and the private rented sector.

The Convener: Does anyone else want to comment on that?

Sharon Egan: We have seen an exit from the private rented sector. Whether in relation to people presenting as homeless as a result of losing their private rented sector tenancy or people presenting to us as homeless because they can no longer access that part of the market when they should have been able to do so, the challenge for us is how we can get that number of properties back. As Callum Chomczuk said, they play a vital role for a proportion of our customers. Although they might not meet the needs of some of our most vulnerable or most complex households or families, they definitely play an essential part in the housing market.

We also need greater clarity on the PRS and the numbers of properties across geographical areas. That would give local authorities more certainty about the availability.

Gordon MacRae: The way in which we are approaching the private rented sector is symptomatic of some of the problems that Professor MacLennan set out, and which Professor Ken Gibb mentioned last week. If we make policy that addresses only one form of tenure in isolation from its unintended impacts elsewhere, we will just compound the mistakes.

There is no reason why Scotland could not have a system of rent controls, but having a long, drawn out debate about it with a framework bill rather than a detailed piece of legislation adds to the air of uncertainty and lack of clarity. I caution against making policy on one tenure without understanding that, if you pull that thread, something else might unravel and we will have to deal with the consequences of that afterwards. We are constantly chasing and fixing the previous error.

The Convener: Part of the challenge is that legislation is a bit linear. You can only do so much

in a session, so it is hard to pull it all out and do it all at once.

Gordon MacRae: Yes. Government is not easy, but—

The Convener: I take your point that it would be good to do it in a more holistic way, but it is a challenging piece.

Gordon MacRae: Ken Gibb's whole-systems approach offers a template, or at least an entry point, for asking how we make reforms stick for the long term and ensure that each tenure has a role to play. We do not understand right now where some of the homeless households that go into the private rented sector end up. We have discussed local housing allowance not keeping pace with rents. Are we just condemning people to stay in the private rented sector? They are not homeless any more, but they are not necessarily in a positive, sustainable, long-term housing outcome. It is those unintended consequences that we do not see play out.

Eilidh Keay: My view on the size of the private rented sector and the role that it plays might be unpopular with some people in the room, but I think that it should be reduced. I do not think that it would be a bad thing if the bill's provisions on rent controls cause a reduction in the private rented sector. What would be a bad thing is the Scottish Government not having the political will to match that with the increase that will be needed in the social sector.

There is a lot of rhetoric going around that the rent controls could lead to a reduction in the private rented sector, but that did not happen with the temporary emergency legislation. The Scottish Government's statistics on changes to the private rented sector show a reduction in the number of homelessness presentations coming from that sector. There could be a reduction in the size of the private rented sector, and that would not be a bad thing if it means that there are more owner-occupiers and more council housing. What we need is the political will to, for example, give local authorities the power of first right of refusal.

Those are considerations but, as Gordon MacRae said, we need a whole-systems approach that tackles the unaffordability, insecurity and bad quality of the private rented sector alongside increasing the availability of council and social homes.

The Convener: Emma Roddick has a supplementary question.

Emma Roddick: I want to tie together a few of the points that have been made about the role of the private rented sector. Do you have an opinion on whether the social sector could cater to a transient population?

Eilidh Keay: There is a lot of talk about that, especially as other bills on tourism and transient accommodation have gone through Parliament. It is well documented that we have increasing needs for businesses. There is an idea that this can only be done through the private rented sector, but that shows where we are going wrong. We are not thinking big enough, especially in places where more transient accommodation is needed, such as Edinburgh and the Highlands and Islands. That presents opportunities for community wealth building, using land better and ensuring that the money is spent in local communities.

There is an idea that local authorities cannot have short-term accommodation, but why are we not thinking about that? It would feed back directly into a more sustainable housing community and it could prevent things such as gentrification. When we talk about this, we often get caught up in the details of the statistics and forget that people are involved. There is real human drama to all of this, and it is really important that we consider that as well. That is why I appreciate your question. We need to think about other options for things such as short-term accommodation that can be beneficial to people and the wider economy.

Callum Chomczuk: As I mentioned, local authorities are already massively involved in the private rented sector. There are local authority-run letting agencies across Scotland that help to support it. However, we are dealing with an emergency across Scotland. There is absolutely a space to talk about a vision for the future and how local authorities can play a more dynamic, market-friendly role in meeting accommodation needs. That is a legitimate debate. However, given the scale of the challenge that local authorities are dealing with, with families and children being in temporary accommodation for much longer, trying to address that other side of the market would be a distraction from the challenges that are in front of us.

The PRS is a crucial part of housing in Scotland, but I worry that a debate that led us to focus on the marketisation of social stock and how we meet the needs of tourists would take us away from challenge that is in front of us. As the committee will know from what you have heard from this panel and previously, we have a consensus that, to address the housing emergency, we need clarity on the outcomes, on funding and on measurements.

11:00

Let us have a debate on the size and shape of the private rented sector. Let us make sure that, when we develop policy, as Gordon MacRae says, we are not just pulling at one thread that will affect something else. A system-wide approach is

essential. If we are mindful that we want to make changes to the private rented sector and we are worried that it might have a destabilising impact on the supply, let us make sure that we have more social stock that could mitigate the risk of that, if that is the vision.

We need to take a more systematic approach. I worry that a focus on ensuring there is a greater role for social landlords and marketisation for tourists and other sectors would be a distraction from the emergency that we have in front of us.

Carolyn Lochhead: I broadly agree with Callum Chomczuk. We have enough of an issue on our plates just now. When I read the evidence that you took previously, I was struck that Chris Birt said:

“Let us stop pretending that we can do everything at the same time.”—[*Official Report, Local Government, Housing and Planning Committee, 27 February 2024; c 9.*]

I agree that we should stop doing that.

I have three points to make on whether social housing can play some sort of role for transient populations. First, social housing is designed to be a home for life if people want it, so there is a question about how well that would fit. One of the huge benefits of the sector is that, as long as the person complies with the terms of rental, they have the home for life if they want it.

Secondly, we have heard from some of our rural members, particularly in Orkney, that recent legislation on short-term lets has made it harder for them to do the things that they used to do to respond to transient needs. We are exploring that with them, but there seems to be less ability for them to be flexible about properties that they offer. That is a current issue for us.

My third point is about the work that parts of the social sector do in providing mid-market rent homes. I think that Professor MacLennan mentioned that. That tenure has been really popular with people who, with the best will in the world, will never qualify for social housing but still have a restricted ability to pay high rents and feel that they are not able to get into home ownership. Our members' ability to plan to build more mid-market properties has been constrained by the fact that, as things stand, they will be covered by the rent controls that are proposed in the Housing (Scotland) Bill, even though mid-market properties are essentially, by definition, rent controlled. We have seen recent action on that, as the Government has announced a new consultation on the exemptions. That is welcome, but it is still just a consultation and it prolongs the period of uncertainty.

That brings me back to a point that we have made a number of times. What would help, as much as anything else, is some certainty and stability about what the rules are, who they apply

to and what funding is available, and then a period in which that does not change and we can just get on with things.

The Convener: We move to the theme of medium and longer-term issues, and I bring in Mark Griffin.

Mark Griffin (Central Scotland) (Lab): I want to talk about what the housing system will look like in, as the convener said, the medium to longer term, as we—I hope—move out of a housing emergency, reduce homelessness and end the cycle of emergencies and crises. What do we need to do to prevent future housing emergencies while tackling the one that we are in now? What are the foundations of a sustainable housing system? I will come to Callum Chomczuk first, because you have said that some of the actions that we are taking just now to address the current crisis might feed into future crises.

Callum Chomczuk: I am somewhat repeating myself, but the immediacy has to be to focus on the emergency in this parliamentary session. The housing emergency coalition put together an action plan early in the summer, which set out the steps that we wanted to see. Fundamentally, it was about restoring the capital budget in this parliamentary session and having consistency over the rest of the session. That is absolutely foundational to everything that we want to achieve. It is foundational to the resourcing that local authorities and other social landlords need, to give them the capacity to focus on managing acquisitions, bringing down the number of voids and building the homes that we need. That is absolutely essential.

Once we get beyond that, and if we can move from an emergency back to a crisis, “Housing to 2040” still provides the blueprint of what we want to see in Scotland. The ambition that is set out in that about much higher-quality homes and breaking the link between housing and wealth is essential. Housing is a human right, and we should be working towards that. I apologise for repeating myself, but, if we can have a link to developing a national outcome for housing and the indicators, it is my sense that we can mobilise the machinery of government and the state to deliver that vision.

“Housing to 2040” is a responsibility for more than the housing sector; the sector and the Government need to work together collectively over the next 18 months or so of this parliamentary session. We must try to get back to business as usual and then deliver on the vision. That will be about continuing the longer-term investment, addressing challenges in the planning system and meeting increasing standards. We need to still be ambitious for that, but we need to build capacity in the system to achieve it all.

Jennifer Kennedy: We need to build the foundations now for the planning system and targets. We would like to have all-tenure targets, given the interdependencies between tenures. We need leadership at the very highest levels of the Scottish Government. We need you all to be advocates for house building at your local level.

The most important thing is that we must acknowledge the scale of housing need that exists. Professor Maclennan referenced our housing needs research earlier in the evidence session. Regardless of what you think about the numbers or the outcome from that research, what it demonstrates is that housing need is far higher and more complex than is currently being measured. Until we accept the scale of housing need and plan for it, we will not be able to move away from such a situation.

Sharon Egan: I will add to what Callum Chomczuk said. The reinstatement of grant funding for affordable housing supply is absolutely key for local authorities, because that gives local authorities the commitment to go multi year and continue a rolling programme. Longer term, a commitment over political cycles would be welcomed, because we would start to get into current development teams, which would be continued, and not just for the short term.

Another two quick points are about not ring fencing the affordable housing supply grant funding and allowing local flexibility. Some local authorities might struggle with acquisitions, but others are able to maximise the opportunity.

My final point, which is probably more about medium-term action, is about rapid rehousing transition funding. We have an additional year, which is the final year of funding and which comes to an end in March 2025. That is concerning for us when you consider the initiatives that local authorities have commissioned through third sector agencies and housing support services for our most complex-needs homeless people to have intensive wraparound support. As I said, that funding will come to an end in March, so we are already having discussions with the providers about whether the initiatives will remain or whether there will be a gap, when we have the highest number of homelessness households since records began.

Eilidh Keay: I might have jumped ahead with my previous answer, but, for the medium term and, most importantly, the long term, we need to be thinking about democratising and putting community needs first. We have often seen that communities campaign for the developments that they need, but they get turned down by the reporter, so something like a community right of appeal in the planning system is really important.

We cannot just build, build, build without consideration of things such as tenure. I only have the UK statistics, but, if the UK government were to meet its ambitious target of 1.5 million new homes in five years, the rent to wage ratio would only lower by 0.9 per cent, which is why an effective system of rent controls is hugely important in changing the housing market and delivering the affordability that, in particular, private tenants need.

I might have touched on this point, but we need to give more powers to councils. In Edinburgh, for example, there are 6,000 empty private properties, some of which have been empty for decades. Councils should be taking those on, retrofitting them and making them council-owned properties. We do not need to reinvent the wheel, so to speak, but there is definitely more that we can do. We need to have a bigger vision about what home means. That touches on what everyone has said about housing being a vital part of infrastructure.

The Convener: Before I bring Jennifer Kennedy back in, I want to see whether anyone who has not spoken wants to speak.

Carolyn Lochhead: I will try not to repeat what people have said. The fundamental point about how we move to a sustainable long-term system is that we have to build more affordable homes. We have talked a lot about the need for certainty, stable policy and the funding environment to achieve that, but one of the points that we have not touched on is the role of private finance. When our members build new homes, that is financed roughly half through public grant and half through private finance. Having a stable and predictable market is really important to attract the private finance that is needed, which is not insignificant. Our members are sitting with about £6 billion of debt at the moment from those previous financial arrangements. It is important that we think about that in the context of the future environment.

We have thought a lot about how to widen the sources of finance, which we have heard the housing minister talk a great deal about. The housing investment task force is looking at that across all tenures. Professor Maclennan mentioned whether we could look at public sector pensions as a source of finance for affordable housing. That is definitely worth investigating, although the point that we would always make is that the more private finance that is put into building homes, the more rents have to be used to repay that private finance, and that has an impact on the level of rents.

Another point that Professor Maclennan made that we have not particularly touched on yet in this evidence session is about the availability of land, which is really important as we move towards how we get to a sustainable system.

The point that was made earlier about NHS land having to be sold at market value is important. We have seen examples among our members where they have been able to acquire land at less than market rate. That is generally down to good local relationships. There is not really any kind of national framework that makes it easy for that to happen. Given that land is one of the key factors in being able to build affordable homes, we need to look at how to create a proper framework for that, so that a view can be taken about what the best use is for a particular piece of land, rather than just maximising the amount of money that is gained for it.

Gordon MacRae: One of the key things in the medium term is simply having agreed success measures. We have no target for social house building or all-tenure house building in this parliamentary session. It is a 10-year target of 110,000 affordable homes.

We do not know what the purpose of government policy is from a measurable objective or an outcome that we can put a parcel of objectives together for. Being able to clarify what Scottish ministers expect to happen from the allocation of resources that they are making available would allow us to evaluate whether a measure is working and what we need to do differently; it would change the situation from just waiting every six months for the homelessness statistics to come out, with a new record high level of failure, and enable us to connect what is happening on the ground with what inputs are being made available.

Jennifer Kennedy: Eilidh Keay has used the phrase “build, build, build” a couple of times. However, I want to be clear that we need to take a whole-system approach, understand where the level of need and demand lies and tackle that accordingly. Various solutions come into the mix, but, ultimately, we need more homes.

Eilidh Keay: I agree that we need more homes, but the priority should be that we build council and social homes.

A study that came out from University College London last month talked about build to rent and was very vocal about the upcoming Housing (Scotland) Bill. The study showed that, in the very short term, build to rent helps things such as rental availability, and we can recognise that there is a need for that. However, in the long term, build to rent does not help with affordability and, in places such as London, it has led to primary schools shutting down because of things such as gentrification.

Jennifer Kennedy is entirely right: we need to build, but we must be really serious about the types of tenures that we build, because we do not

want to do something now as an emergency response, and then, in 20 years’ time, have to deal with another housing emergency.

Mark Griffin: I want to chat about how effective the current actions of local authorities and the Scottish Government are at tackling the emergency and building towards a sustainable solution. We have spoken about the difficulties around taking a whole-system approach, but it should be fairly simple to look at taking that approach to the regulations that we have in place. Some of the regulations that we have talked about come into play down the line. Looking at them individually, a lot of them are very hard to disagree with, but it would be good to get your take on the cumulative impact of all those regulations on the general regulatory and legislative landscape around the emergency housing supply. I will come to Jennifer Kennedy first because I she talked about that in her submission.

11:15

Jennifer Kennedy: If you were to ask any home builder what the biggest blockers to delivery are in the regulatory environment, one that they would mention would be the planning system. The second would be the cumulative impact of all the regulatory proposals that have come through. One of our members who runs a small or medium-sized enterprise has calculated that the regulations that have been introduced or are being consulted on in this parliamentary session will add at least £34,000 to the cost of a new home. That is not sustainable for an SME homebuilder. We need a realistic timeframe to work towards the various targets, and a clear route map. We need to have a joined up approach. To go back to the thread analogy that was used earlier, we need to have someone sitting somewhere saying, “If you pull this, what happens here?”

Carolyn Lochhead: The social housing sector is highly regulated, and it should be, because it is about providing homes for people using an element of public money. So, there is no issue with the fact that it is a highly regulated sector.

I come back to the point that Chris Birt made, which I was taken with: we need to stop pretending that we can do everything at once. We need to look at regulation and, in particular, upcoming regulation. Earlier, someone touched on the proposals for all new homes in Scotland to be built to a Passivhaus equivalent. On the face of it, that is a great aspiration, but is it what we need to do now? The question that we need to keep asking ourselves is, do we want to build more homes now, or do we want to build fewer homes to the absolute best standard that we can? We cannot do all of those things. We need to look at each of our regulations and ask whether it is

proportionate, whether it is needed right now, what its opportunity cost is and what we will not be doing if we introduce it, because, usually what we are not doing is building more homes. A careful balance needs to be struck, but regulation is undoubtedly important and our members would not argue that it should not be a highly regulated sector.

The Convener: If no one else wants to come in on that one, I will bring in Emma Roddick.

Emma Roddick: My question is for Gordon MacRae. The Shelter Scotland submission to the committee stated that the housing system was

“biased—reflecting the wider social structures of oppression and inequality”.

Could you expand on that and give us an idea of how that bias can be addressed?

Gordon MacRae: The housing system reflects systems of power in society, and people are impacted differently based on their characteristics. We know that, in Scotland, non-white applicants—the way the categories are done in the census is not always consistent with other forms of research—in the homelessness system wait three times as long as white applicants, even when you control for variables such as household size. We know that the issue of children in temporary accommodation is effectively a proxy for women experiencing homelessness for longer.

The purpose of identifying those biases is not to say that there is active discrimination by front-line housing officers, but it is a necessary recognition that the system that we put in place mirrors the people who have privilege and power. If we are to truly make sure that there is equality within that system, then we need to understand what the barriers are and what we need to do differently.

Shelter Scotland, with Engender, recently published a briefing on the bias that is faced by women and the need for there to be a gendered analysis of the homelessness system. We have also undertaken research into the impact of race on homelessness and the experiences of minoritised ethnic groups in the homelessness system. In both cases, those groups are shown to have a more negative experience than the experience the white single male control group. It is important to recognise that the single largest group of people within the homelessness system, numerically, is that of white single men, but the research shows that the probability of experiencing homelessness varies depending on who you are and where you come from.

Callum Chomczuk: I will build on Gordon MacRae’s points. The committee will be aware that, in March 2021, Parliament passed the Domestic Abuse (Protection) (Scotland) Act 2021,

with provisions to give social landlords the power—not the duty, but the power—to allow women who are victims of domestic abuse to stay in their own home and to evict the perpetrator. With housing law traditionally, if you are evicting a joint tenancy, you evict both parties, so that was a most welcome measure that would ensure that women, who are the vast majority of victims of domestic abuse, are able to stay in their own homes if they choose that. It is a small piece of legislation in some ways, but it is important, because we know that domestic abuse is the biggest driver of homelessness for women. However, although that provision, which would give social landlords that modest power to protect victims of domestic abuse from homelessness, was passed four-and-a-half years ago, it has still not been enacted.

There are things that we are not doing at the scale that we should be. There are many more societal drivers that also embed the bias that Gordon MacRae speaks about, but there is a role for Parliament and Government to follow through and enact the legislation that has been passed to help address some of those biases. Clearly the Housing (Scotland) Bill, with its requirements for social landlords around domestic abuse will play another part in helping to address the consequences of domestic abuse for social housing tenants and ensuring that there are better policies, better prevention, better identification and better support. That is all positive. As that legislation progresses and passes, we need to be much more ambitious around the timetable, because, ultimately, we are talking about people’s lives.

Emma Roddick: My next question is for Eilidh Keay. There is obviously an inherent balance of power issue between private landlords and tenants. Can you speak to that and give us any ideas that you have about how we can address it through the housing bill or in other areas?

Eilidh Keay: It is important to remember that, especially with regard to landlord-tenant relationships in the private sector, the tenant needs a place to live, and the landlord is profiting off that need. How can we address the issue that you raise? It is important to have a more comprehensive approach involving something such as a points-based system of rent controls that takes into account the quality and energy efficiency of the home, which is an approach that the Scottish Government has not taken in the bill. We have often seen that landlords use the leverage that their power over tenants gives them when tenants ask for repairs and improvements to the property. The way in which tenants can access justice is not great. Often, there are delays with the tribunal, especially for people who do not speak English as a first language, who are single

parents and do not have the time to do it, and so on. That means that that option is quite limited.

Safety issues in the social sector were raised earlier, and there could be regulations within the housing bill that also help people in the private sector who are victims of domestic abuse and financial abuse. Things such as changing the requirements around ending a joint tenancy, for example, would be helpful in that regard. Often, people cannot leave a private tenancy because of the joint tenancy definition, in the same way as people cannot leave a social tenancy for the same reason. I hope that that answers your question.

Emma Roddick: I have a final question for the whole panel. The Scottish Government has recently emphasised the need for the UK Government to help address the housing emergency and has argued for abolishing the bedroom tax and restoring local housing allowance rates. To what extent do you agree that that will help solve the issues that have led to the housing emergency in Scotland?

Eilidh Keay: Can you repeat the question?

Emma Roddick: The Scottish Government has called for the UK Government to take an active role in addressing the housing emergency, through the abolition of the bedroom tax and the restoration of local housing allowance rates. Do you agree? If so to what extent could that help us target the housing emergency?

Eilidh Keay: In the immediate term, that would obviously bring huge benefits. However, the local housing allowance funds the private rented sector in particular, so, if we do not get rents under control, that spending will increase every year. First, that is bad because I do not think that the state should be funding private landlords, and secondly, that is unproductive for the wider economy. All the money that we would be increasingly spending on the local housing allowance could be used for building and retrofitting council properties and social properties. Although it is a good short-term measure to help tackle the housing emergency, it is not good in the long term.

Gordon MacRae: The short answer is that we agree entirely. Things such as the two-child limit, the bedroom tax and the approach to the LHA have just not worked, even in terms of what their proponents suggested that they should be doing—we have not seen a massive reduction in overhoused households downsizing; we are not seeing the suppression of local housing allowance leading to the suppression of rents; and we are certainly not seeing the two-child benefit limit having a positive impact on levels of child poverty in the country. Just in terms of their own policy intentions, those measures should be taken away.

Of course, doing so would also free up revenue spend for Scottish ministers. One of the best—and, to be fair, least talked about—things that the Scottish Government has done is ensure the continued investment in discretionary housing payments, which make a massive difference to our clients.

Carolyn Lochhead: We certainly agree that those things should be addressed. Day to day, the bedroom tax in particular does not have a huge impact on our members, precisely because, as Gordon MacRae has just said, it is mitigated. However, I can see that, from a Government point of view, there are probably better uses to which that money could be put.

We would go further. We have supported the campaign for an essentials guarantee, which the Joseph Rowntree Foundation and others have been running. It is aimed at ensuring that universal credit is fit for purpose and meets at least the essential amounts that people need to live. We would like to see things such as the two-child limit removed and an end to the delay at the start of universal credit. There are many things that the UK Government could do that would not immediately tackle the housing emergency, because they are a few steps removed, but which are absolutely related to the housing emergency and would make an impact.

Jennifer Kennedy: As a general observation, I would say that we need to stop talking about Westminster, Brexit and inflation as the root causes of the housing emergency. Yes, they have all been important but, as I said previously, what is inhibiting housing delivery at this present time is the planning system and the regulatory environment. Those issues are well within the control of the Scottish Government.

Emma Roddick: Gordon MacRae and Carolyn Lochhead both mentioned that the money that is being used to mitigate the bedroom tax at the moment could be better spent. Do you have particular ideas on where it could be spent?

Gordon MacRae: Always. One of the areas of real concern just now is the loss of preventative services. Sometimes, when we talk about preventing homelessness, we take a narrow perspective involving people presenting homeless, getting a needs assessment and then getting the support to keep the home that they have. However, there is also a wider scope of preventative services that are encountering a real challenge. We know that RSLs are having to reconsider some of the wider remit investment, but we are also seeing issues with things such as access to mental health services and welfare benefits advice and, as was mentioned earlier, cuts through the integrated joint boards to third sector organisations working with communities

that require additional support. The money that you are talking about could be going into those types of services, and would make a real difference. Unfortunately however, right now, it is better to mitigate a policy that would accelerate homelessness, rather than spending the money on preventing it.

Carolyn Lochhead: If we assume that that money cannot go into building affordable homes, for financial reasons, then yes, like Gordon MacRae, we would say that it could be spent on preventative measures.

Recently, we have seen either the end of or cuts to some important funds that were helping in that regard. The last round of the fuel support fund helped our members to help about 55,000 households, with funding of about £7 million to help people to meet their fuel costs. We also had the homelessness prevention fund, which has also ended. Over its last three years, it provided around £1.5 million to help people to stay out of homelessness.

This year, we saw first some uncertainty and then a 5 per cent in-year cut to the investing in communities fund, which helps our members through about £4 million of funding—again, that is multiyear funding, over three years. That is used for things such as health and wellbeing projects, financial advice, community engagement and all kinds of things that help people to stay engaged in their communities and, ultimately, to stay in their tenancies. There are all manner of things that we would suggest that it could be used for.

Callum Chomczuk: Earlier, Sharon Egan mentioned the continuation of the rapid rehousing transition funding, which has become an integral part of how we keep people out of homelessness. A commitment to the principle of the rapid rehousing transition plan approach, and funding for it, would be an immeasurably helpful way of supporting our collective ambitions on preventing homelessness.

11:30

Meghan Gallacher (Central Scotland) (Con): Good morning. In the committee's evidence session last week, one of the witnesses suggested that developers are sitting on permissioned land. I will go to Jennifer Kennedy from Homes for Scotland first. What is your opinion of that statement?

Jennifer Kennedy: There are a number of points that are important to bring out. First, not all consents are gained by home builders, as some landowners will have gained consent with a view to maximising value, as I think Professor MacLennan touched on earlier.

Where a home builder obtains consent, it simply does not make any economic sense for them to sit on that land, given all the expenses that they will have incurred in the process of acquiring it. They need to seek a return on their investment as quickly as possible. To again refer to SMEs, that is particularly important for them, when they have limited access to development finance.

A number of major studies have been done on land banking over the past 20 years, and the CMA looked at the issue again most recently when it published a report on that earlier this year. The report found that house builders do not hold on to land without attempting to develop it for a disproportionate amount of time. The CMA called the approach that is being taken "rational", given the wider issues with the planning system.

Based on yesterday's planning performance stats, a decision on a major application for housing can take over a year. Once you have that permission in place, you then have to negotiate your section 75 agreements, your building warrants and your road construction consents, all of which significantly extend the timescale.

Meghan Gallacher: You have referenced planning issues a lot this morning. Those are important because, if developers are waiting for more than a year to have their application progressed, that will undoubtedly have an impact on the housing emergency that we are experiencing. What could be done as a quick fix to improve our planning system and ensure that more developers can access it without long waits?

Jennifer Kennedy: The biggest challenge at present with the planning system is to do with the adoption of national planning framework 4 and local development plans. Those plans are between two and five years away, in which time sites are being built out or not built out because they are not effective for whatever reason. We are calling for a temporary reinstatement of the presumption in favour of sustainable development to ensure that we can get homes through the system and spades in the ground to deliver the homes that people need.

I again emphasise the interconnections between private and affordable housing through developer contributions. Twenty-five per cent of new homes that are delivered by the private sector have to be affordable. If we are not getting the private sector homes through, 25 per cent of nothing is nothing. Therefore, if we want to maximise the delivery of affordable housing in a time of constrained public finances, we must incentivise the private sector to make the investment that is required.

Gordon MacRae: The Competition and Markets Authority report in February had quite a nuanced view. It described home builders as having

incentives to build out slowly to maximise profit. However, as Jennifer Kennedy says, that is rational in the current system of incentives. The question is: what do we want the system to incentivise? Right now, because of the constraints on the second-hand market and the scale of the emergency, we are not facilitating house builders, small or large, to build at pace, because they will not see that response.

The CMA also identified that profitability in the house building sector is still very high compared with areas such as construction, where there is a 5 per cent margin compared with a 25 to 30 per cent margin in the house building sector. However, clearly, that takes place over a longer period of time with a different risk profile. It is important to note the nuance. It is not as simple as fixing the planning system to unlock a whole load of house building options. However, we can certainly go far faster and quicker in Scotland than we currently are.

Meghan Gallacher: It is important to look at the issue in the round.

Finally, I have a more generic question for all panel members. What is the biggest blocker to the delivery of new homes? That could be in the social setting or of course in the private rented sector.

Carolyn Lochhead: I am not sure that I can give only one—can I give two?

Meghan Gallacher: You can have two.

Carolyn Lochhead: The first one is about certainty. There is so much change, there has been so much financial instability and there has been so much change to regulations. The first thing is to get to a point where the funding and the regulatory requirements are stable—that would be a huge improvement.

The second point relates to that and is about net zero. Until we know what the standard is, when it needs to be met and what funding will be available, we are operating with one hand tied behind our back. You cannot commit full tilt to development programmes when you have a massive bill coming towards you but you do not know what it is, when you have to pay it or who will help you pay it.

Callum Chomczuk: Over the past year in particular, we have had a decreasing workforce in parts of the housing sector as a consequence of the decreasing budget. Even if we are fortunate enough to see a recapitalisation of the affordable housing supply budget and we have clarity over everything that we want around standards, we cannot build to the scale that we want immediately—it will take time. We have to be clear about that. That does not mean that it is not the right thing to do, because the longer we wait to

recapitalise, the longer it will take to lift that capacity back up. We need to be mindful about the workforce and think about how we bring in the workforce and the skills to meet our collective ambition.

What Carolyn Lochhead said is absolutely essential, but that is the first part of what we need to do. Once we have that in place, we can start to get the workforce in place to build, service and manage the homes that we all want.

Sharon Egan: The biggest blockage is absolutely the financial element. Certainty around funding would reduce the risk to local authorities—that goes back to everything that I have already said this morning.

The dialogue that we have been having with the more homes team is about the current costs to build. The cost per unit is significant when we are building two-bedroom flats. That is a major blockage for us.

Jennifer Kennedy: I emphasise Carolyn Lochhead's point about certainty on funding and the planning system. We also need to see a big shift in culture. We need to move away from a "computer says no" attitude to one that is positive and enables development.

Gordon MacRae: Priority is important. There are multiple priorities and no real prioritisation. If we prioritise, we need some accountability, not so that we can chastise decision makers, but so that we can measure and evaluate whether policy is working or not. The lack of prioritisation is probably the biggest barrier.

The Convener: Eilidh, do you want to come in on this question?

Eilidh Keay: No, I am fine. I am sorry.

The Convener: That is all right.

Eilidh Keay: I have something that I did not quite add on one of Emma Roddick's questions. Can I quickly get that in?

The Convener: Yes.

Eilidh Keay: The question was about increasing the role of the private rented sector, security and comprehensive rent controls. In places such as Sweden and the Netherlands, we have seen the emergence of renovictions, especially with the increase in standards. That is why increasing tenants' rights, especially around evictions, is hugely important. Elsewhere, we have seen that landlords need to retrofit or improve the quality of their property, which is understandable, but they use that as a means to evict the tenant and then rapidly increase the rent. That speaks to the sentiment of today, which is that a joined-up approach is needed.

The Convener: Look at that—it is 11:40 exactly. Well done, everyone, and thank you so much for answering the questions thoroughly and well. It has been a really good conversation and we managed to come in on time. Thanks a lot for joining us this morning. You have given us very good information for our inquiry.

I suspend the meeting briefly to allow the witnesses to leave.

11:40

Meeting suspended.

11:42

On resuming—

Subordinate Legislation

Property Factors (Registration) (Scotland) Regulations 2024 (SSI 2024/274)

Title Conditions (Scotland) Act 2003 (Rural Housing Bodies) Amendment Order 2024 (SSI 2024/273)

The Convener: The next item on our agenda is consideration of two statutory instruments. As they are negative instruments, there is no requirement for the committee to make any recommendations on them.

If there are no comments, does the committee agree that we do not wish to make any recommendations in relation to the instruments?

Members *indicated agreement.*

The Convener: We previously agreed to take the next items in private, so I now close the public part of the meeting.

11:43

Meeting continued in private until 12:14.

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