

Cost of Living (Tenant Protection) (Scotland) Bill

Island Communities Impact Assessment

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Scottish Government
Riaghaltas na h-Alba
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ISLAND COMMUNITIES IMPACT ASSESSMENT

The Cost of Living (Tenant Protection) (Scotland) Bill

1. Objectives

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

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

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

2. Gathering Data and Identifying Stakeholders

Key stakeholders in island communities in regard to these measures are tenants and landlords, and representative bodies of both, including providers of and students in college and university halls of residence and Purpose Built Student Accommodation (PBSA) as well as local authorities.

Cost Crisis

The cost crisis exacerbates existing social and economic pressures faced by those living in a rented home, making them more vulnerable, and this is likely to be the case both in island communities and in communities on mainland Scotland.

Despite UK Energy Price Guarantee, from October 2022 energy prices will rise relative to April 2022, and will be much higher than in October 2021. The rise is of such a magnitude that there will be substantial pressure on household budgets despite the various mitigation packages announced. We consider that this will lead to a significant increase in fuel poverty, and extreme fuel poverty, with particularly high levels in the rented sectors.

With the price cap frozen at £2,500, we estimate that there will be around 860,000 (35%) fuel poor households in Scotland, of which 600,000 (24%) will be in extreme fuel poverty, from October 2022.

Rented households are more likely to have lower household incomes, higher levels of poverty and to be financially vulnerable: 63% of social rented households and 40% of private rented households in Scotland are estimated to be financially vulnerable, with savings which would cover less than one month of income at the poverty line, compared to 24% of households buying with a mortgage and 9% of households owning outright¹.

Rented households are also more likely to be in fuel poverty; with the price cap frozen at £2,500, we estimate that 54% of households in the social rented sector and 48% of households in the private rented sector will be in fuel poverty. This compares to 24% of owner occupied households².

The share of households on prepayment meters is also higher in the rented sector – these households will be particularly affected in winter when the majority of heating is required, since they are unable to spread the costs over the year.

In addition to the impact of the surge in energy prices, households are also facing general inflationary pressures. Even when stripping out the impact of energy prices, inflation is higher than the average growth in earnings, and the gap is even larger for benefit income. Households in the rented (social and private) sector, especially those on lower incomes, in general pay more of their income on housing costs than owner occupiers, have higher rates of income and child poverty, and have less resilience to cope with financial shocks.

General Cost of Living on the Islands

A Scottish Government report from 2021 estimates that cost of living in remote and rural Scotland including the islands is between 15% and 30% higher than urban parts of the UK³. This is due to a number of factors including additional costs related to items including food, clothing, household goods and most of all the significantly higher costs associated with travel. While costs of living in remote and rural areas of Scotland are higher than in urban areas, those living in remote and rural areas are less likely to experience income poverty than those living in the rest of the country, however, poverty in rural areas is heterogeneous and may be difficult to identify within wider populations⁴. This higher cost of living is reflected through an uplift to the Minimum Income Standard applied to remote rural, remote small town and island (RRRSTI) areas as part of the Scottish definition of fuel poverty. The Centre for Research in Social Policy at Loughborough University undertook [research for the Scottish Government to determine the percentage uplifts to the UK MIS required in RRRSTI areas](#). In 2021, 90% of the UK MIS ranged between £8,140 and £21,160

¹ Source: Scottish Government Statistical publication on Wealth in Scotland 2006-2020

² Source: Scottish Government Analysts – scenario modelling based on the 2019 Scottish House Condition Survey.

³ [Supporting documents - The cost of remoteness - reflecting higher living costs in remote rural Scotland when measuring fuel poverty: research report - gov.scot \(www.gov.scot\)](#)

⁴ [Poverty in Rural Scotland: A Review of Evidence \(www.gov.scot\)](#)

depending on the household type and between £10,260 and £24,590 in RRRSTI areas to reflect the higher cost of living.

Fuel Poverty on the Islands

The way that homes are heated in remote and rural Scotland, including the islands, varies from urban areas, in that homes in rural Scotland are less likely to use mains gas as their primary source of heating and are more likely to use heating oil, solid fuel, bottled gas or even electric heat than their urban counterparts. In 2019 levels of fuel poverty among households using electricity as their primary heating fuel were the highest, at 43%, compared to households using gas (22%), oil (28%) and other fuel (31%) as their primary heating fuel⁵. Under the £2,500 price cap for October 2022 these figures are now estimated to be 54% for electricity, 32% for gas, 36% for oil, and 49% for other fuels. Furthermore, over the 2017-2019 period Na h-Eileanan Siar (40%), Highland (33%), Argyll and Bute (32%), Moray (32%), Shetland Islands (31%) and Orkney Islands (31%) had significantly higher fuel poverty rates than the national average⁶ of 24%.

Under the Scottish definition of fuel poverty as set out in the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act 2019, a household is in fuel poverty if:

- in order to maintain a satisfactory heating regime, total fuel costs necessary for the home are more than 10% of the household's adjusted (i.e. after housing costs) net income (and more than 20% in the case of extreme fuel poverty); **and**
- if, after deducting those fuel costs, benefits received for a care need or disability and childcare costs, the household's remaining adjusted net income is insufficient to maintain an acceptable standard of living.

Under this definition, a household's adjusted after housing costs net income is net of income tax, national insurance contributions, mortgage or rent payments, childcare costs, council tax, water and sewerage charges.

The remaining adjusted net income must be at least 90% of the UK Minimum Income Standard (MIS) to be considered an acceptable standard of living. To account for the higher cost of living in remote rural, remote small towns and island (RRRSTI) communities, an RRRSTI uplift is added for these areas, which results in a higher MIS threshold for households to be considered in fuel poverty.

⁵ 2019 Scottish House Condition Survey [Scottish House Condition Survey: 2019 Key Findings \(www.gov.scot\)](https://www.gov.scot/publications/scottish-house-condition-survey-2019-key-findings/pages/12.aspx)

⁶ 2017-2019 Scottish House Condition Survey Local Authority Analysis [Scottish House Condition Survey: 2017-2019 Local Authority Tables \(www.gov.scot\)](https://www.gov.scot/publications/scottish-house-condition-survey-2017-2019-local-authority-tables/pages/12.aspx)

Fuel poverty rate by 2013/2014 Urban Rural Classification

Urban rural Classification 2013/14	Fuel Poverty Rate 2019	Fuel poverty Rate Oct 2022	Percentage point difference	Sample
Large urban areas	26%	35%	9%	799
Other urban areas	21%	33%	12%	988
Accessible small towns	19%	31%	12%	282
Remote small towns	34%	44%	10%	174
Urban Subtotal	24%	34%	10%	2243
Accessible rural	22%	28%	6%	350
Remote rural	43%	52%	9%	357
Rural Subtotal	29%	37%	8%	707
Scotland	25%	35%	10%	2950

Number of households in fuel poverty by 2013/2014 Urban Rural Classification

Urban rural Classification 2013/14	Households in Fuel Poverty 2019	Households in Fuel poverty Oct 2022	Difference	Sample
Large urban areas	230,000	310,000	80,000	799
Other urban areas	190,000	290,000	100,000	988
Accessible small towns	40,000	70,000	30,000	282
Remote small towns	30,000	40,000	10,000	174
Urban Subtotal	490,000	710,000	220,000	2243
Accessible rural	60,000	80,000	20,000	350
Remote rural	60,000	80,000	20,000	357
Rural Subtotal	120,000	160,000	40,000	707
Scotland	613,000	860,000	247,000	2950

As shown in the tables above, both in 2019 and after the October 2022 energy price guarantee, remote rural households have higher rates of fuel poverty than other rural urban classification types such as large urban, other urban, accessible small towns, and accessible rural areas.

Lived experience research on fuel poverty in Scotland, as well as work specifically undertaken in the Outer Hebrides⁷, suggests that there are a number of characteristics of remote and island areas that make heating homes to comfort more challenging than in urban areas including: difficulty making homes wind and water tight; more extreme weather; higher fuel costs associated with off-grid fuel types; poorer availability of qualified tradespeople for upkeep and energy efficiency

⁷ [Reshaping health services and fuel poverty in the Outer Hebrides Reshaping health services and fuel poverty in the Outer Hebrides \(salford.ac.uk\)](https://www.salford.ac.uk/research/reshaping-health-services-and-fuel-poverty-in-the-outer-hebrides/)

measures⁸; as well as a lack of economies of scale and a higher percentage of restricted meters which restricts energy efficiency interventions and ability to switch to cheaper energy tariffs.

Rented housing supply in island communities

Although published external data is not always broken down to cover specific individual island communities, the recently published Isle of Arran Local Island Plan⁹ includes the output of local engagement with the community on the Isle of Arran. Comments in the Plan also referred to private sector housing being in short supply as owners may generate a greater income from holiday lets, as well as concerns about 'island premium' costs – the greater costs of living experienced by those in island communities.

We are aware that PRS properties are important in remote, rural and island communities, allowing people to move into the area to take up jobs or to support seasonal working in particular localities.

We are also aware of college and university halls of residence and Purpose Built Student Accommodation (PBSA) in island communities and their wider role on the islands in retaining students in communities, expanding educational opportunities, further diversifying housing stock and contributing to local economic growth.

There are some local authority level figures available on levels of rented housing stock, although we are conscious that in general, levels of PRS and social housing provision and need may differ between different local island communities and the effects of any changes in the sector may therefore be felt differently in each community.

Available local authority level figures on the number of private rented households and social rented housing stock for the three island local authorities are shown in the table below.

Private rented stock as proportion of all households is estimated to be 6% in the Shetland Islands, 7% in Na h-Eileanan Siar, and 9% in the Orkney Islands. These percentage figures are all lower than the national level Scotland estimate of 14%, although there will be a margin of error in the local authority level estimates from the use of survey data.

Social rented stock as proportion of all dwellings is 15% in Na h-Eileanan Siar, 15% in the Orkney Islands, and 21% in the Shetland Islands. These figures are all lower than the national Scotland average of 23%, with figures on social rented dwellings being based on social landlord stock data, and not subject to any margins of error.

⁸ Fuel Poverty (Targets, Definition and Strategy) (Scotland) Bill: island communities impact assessment - gov.scot

⁹ [Isle of Arran Local Island Plan](#)

	Private rented households		Social rented stock	
	Estimated Number	As percent of all dwellings	Number	As percent of all dwellings
Na h-Eileanan Siar	900	7%	2,200	15%
Orkney Islands	1,000	9%	1,700	15%
Shetland Islands	600	6%	2,400	21%
Scotland	340,000	14%	600,100	23%

Sources:

Scottish Household Survey 2019 estimates of the proportion of private rented households.

Scottish Government Annual Housing Statistics – Stock by Tenure tables for 2019 on social rented stock.

We consider that the emergency housing measures are not likely to affect landlords and tenants disproportionately in island communities compared to communities on the Scottish mainland.

However, the data referred to above suggests that the impacts of the cost crisis may be higher in island communities, due to the already higher cost of living and the higher prevalence of fuel poverty experienced in these communities.

The measures being put in place measures to stabilise housing costs to support people to stay in their homes may therefore be even more necessary to mitigate some of the effects of the cost crisis than in many communities on the Scottish mainland, particularly those in less remote areas.

The higher cost of living in island communities may also impact on some landlords living in those communities. Although the Bill aims primarily to support tenants, it is recognised that the impacts of the cost crisis may also be felt by some landlords so appropriate safeguards have been considered as part of the Bill development process and provided for within the Bill.

3. Consultation

Given the need to progress the measures in this Bill urgently in the light of the ongoing and increasing effects of the cost crisis, no formal public consultation has taken place and therefore no specific consultation with island communities on these measures has been undertaken.

Whilst there has not been the opportunity to consult specifically on the temporary emergency measures, the recent New Deal for Tenants draft Rented Sector Strategy Consultation¹⁰ consulted widely on a draft strategy for the rented sector (both private and social rented) which covered a broad range of areas. Those respondents to the consultation who raised issues affecting island communities in particular raised concerns about current affordability and supply of housing and about fuel poverty issues. (It should be borne in mind that the cost of living crisis and its impacts have

¹⁰ [A New Deal for Tenants - draft Rented Sector Strategy consultation](#)

become much more pronounced in the months since the consultation closed, and the impacts of these may therefore not have been fully reflected as a factor in consultation responses).

Rent Controls – New Deal for Tenants Consultation

Whilst the New Deal for Tenants consultation did not specify in detail the form of rent control being proposed it did set out the high level vision and principles to underpin legislation on rent controls which is planned for later in the current parliamentary term. Of the two island local authorities which responded to the questions on rent control and allowed for their responses to be published, one agreed with rent controls in principle but made no further comment (Comhairle nan Eilean Siar), and the other supported the theory but expressed concern that there was a need to ensure that any model of rent control does not significantly impact on the supply of private rented tenancies, due to the number of ‘accidental’ landlords without large portfolios in remote rural and island areas (Argyll and Bute).

Whilst the concern raised about the possible impact on supply was in relation to consultation on principles for longer lasting legislative provision we consider that the concerns raised may also be relevant to the temporary emergency measures, and we are aware that there is some anecdotal evidence that some landlords in the private rented sector are considering vacating the market.

4. Assessment

Our assessment doesn’t identify any unique impacts on island communities.

Whilst we appreciate that any potential decrease in PRS supply could have a proportionately greater impact in those island communities where supply is low, this would also be true of a number of communities in mainland Scotland, and we therefore do not consider that island communities specifically would be disproportionately affected by any potential negative outcomes to these measures. This is also true of any decrease in investment in the condition or energy efficiency of properties which may result from the impact of the rent cap on landlord incomes.

Furthermore, we intend to put in place appropriate safeguards to protect landlords which will also reduce the likelihood of them leaving the sector as a result of the emergency measures. Given the need to put measures in place quickly, necessitating emergency legislation, it is also intended that a three-monthly reporting requirement will be included in the legislation, to demonstrate the need for provisions to either continue or expire, where appropriate and based on evidence at the time.

We will also continue our work to increase affordable housing supply in island communities. Over the last parliament we delivered 6,000 affordable homes in remote, rural and island communities, and we have a target of delivering 110k affordable homes in Scotland by 2032, with at least 10% of these in remote, rural and island communities.

We did not identify any potential barriers or wider impacts, although there will be a need across the whole of Scotland to ensure landlords and tenants aware of the new measures in order for them to be effective, and we are aware that not every island has reliable internet access for easy access to information about the new measures.

We consider that this can be mitigated by a broad campaign of awareness-raising which includes other forms of media beyond online information. Rural and island households are considered as a specific audience and a key focus for the communications plan around cost crisis measures, which will include a campaign on Renters Rights, as they are one of the groups which are likely to be disproportionately affected by increases in the cost of living.

Whilst some of the communications work will have an online focus, there are also plans to raise awareness by other routes, to ensure that communities and individuals in island communities – and those on mainland Scotland – who have limited internet access will still have information on their rights.

Is a full Island Communities Impact Assessment required?

There is insufficient evidence to indicate that these temporary emergency measures will put an island community at a disadvantage and, as set out above, residents in island communities may already be suffering disproportionately from effects of the cost crisis, and may therefore be in particular need of the emergency measures.

The Scottish Government's view is that the proposed rent cap is a necessary measure to stabilise housing costs, and to support people to stay in their homes at a time of substantial pressure on household budgets which is likely to disproportionately affect those in the rented sector.

We consider that the temporary moratorium on evictions will prevent negative impacts on the health and wellbeing of tenants who are facing eviction and potential homelessness at a time when they may be already struggling as a result of extraordinary financial stress for many. As well as relieving pressures on housing and homelessness services in the short term, during the peak in the cost crisis, and when housing and homelessness services are already under acute pressure. A delay in the enforcement of evictions proceedings will also provide tenants with more time to find suitable alternative accommodation.

The eviction moratorium may also ensure that landlords do not wrongly evict using one of the existing grounds for eviction but intending instead to increase rents, and the increase in potential penalties for unlawful eviction should also serve to protect tenants from evictions which do not follow the correct processes put in place to protect tenants.

We anticipate that these outcomes will be similar across Scotland and, if anything, will support existing community cohesion in island communities and reduce pressure on housing services by supporting more tenants to stay in their homes – both those

living in island communities, and those living away from home such as students in PBSA in island communities or on mainland Scotland.

Whilst there is the potential for adverse effects such as a reduction in supply or in investment in property quality and energy efficiency measures, we do not consider that this is likely, as the proposed rent cap is temporary in nature and should therefore be limited in impact. As set out above, the temporary measures proposed include safeguards for landlords, to mitigate against potential negative impacts on supply in the sector.

We therefore consider that any negative outcomes are likely to be limited in nature and to be similar across Scotland and that this, coupled with the steps we are taking to mitigate adverse effects, means that there are unlikely to be differing impacts for island communities.


More generally, and as set out in the Programme for Government, we intend to publish our Remote, Rural and Island Housing Action Plan to support the provision of homes in these areas, including consideration of funding arrangements for community housing trusts to ensure they can support the delivery of our enhanced rural home building plan.

A full Islands Community Impact Assessment is NOT required

In preparing the ICIA, I have formed an opinion that our policy, strategy or service is **NOT** likely to have an effect on an island community which is significantly different from its effect on other communities (including other island communities). The reason for this is detailed below.

Reason for not completing a full Islands Communities Impact Assessment:
Based on the data available, we consider that there are unlikely to be differing impacts for island communities as a result of the temporary emergency measures, and we consider that the emergency housing measures are likely to affect landlords and tenants equally both in island communities and in communities on the Scottish mainland.

It is intended that stabilising housing costs and supporting people to stay in their homes in the rented sector will help to mitigate some of the effects of the cost crisis both in island communities and in communities on mainland Scotland.

Screening ICIA completed by (name)	
Position	
Signature and date	
ICIA authorised by (we recommend DD level)	Catriona MacKean
Position	Deputy Director Better Homes
Signature and date	 27 September 2022



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