

Subject: Research to Support the Housing Committee's Investigation Into The Effect Of Rent Stabilisation Measures On London's Housing Market

Report to: GLA Oversight Committee

Report of: Executive Director of Secretariat

Date: 9 July 2015

This report will be considered in public

1. Summary

- 1.1 This report seeks approval for expenditure to commission an external contractor to undertake research work to support the Housing Committee's investigation into the effect of rent stabilisation measures on London's housing market.

2. Recommendations

- 2.1 **That the Committee approves expenditure up to a maximum of £10,000 from the 2015/16 scrutiny programme budget, to commission external contractors to carry out the technical advice and support outlined at paragraph 3.3, namely to conduct research into rent stabilisation models in London.**
- 2.2 **That the Committee notes that the Executive Director of the Secretariat, in consultation with the Chair of the Housing Committee, will commission the external contractors, subject to the Committee approving this expenditure.**

3. Background

- 3.1 In line with its terms of reference, the GLA Oversight Committee has the power to approve all scrutiny-related Assembly expenditure and proposals for use of rapporteurs, in conformity with the Assembly's decision-making framework procedure. The Committee is therefore being asked to consider the use of resources to facilitate the investigation, rather than to discuss the details of the investigation.
- 3.2 The Housing Committee agreed, at its meeting of 23 June 2015, to conduct an investigation into the effect of rent stabilisation measures on London's housing market and to use its September and October meeting slots for the subject.

- 3.3 To support the Housing Committee's investigation and to gain as robust an understanding as possible of what London landlords would do if faced with a range of rent stabilisation scenarios (for example, increased length of tenure or the potential for indexing rental increases within & between tenancies) it is proposed to commission the following research:
- econometric modelling to model the effect of different kinds of rent stabilisation measures in London on rental prices and supply. This would enable us to look specifically at the London effects of different stabilisation measures based on recent price and supply trends.
 - a representative quantitative survey among current London landlords, exploring their likely response to a range of different rent stabilisation scenarios.
 - research into the perspectives of new professional landlords on the different scenarios (given the direction of policy towards encouraging more commercial and institutional landlords).
- 3.4 The starting point in conducting primary research for an investigation is always to consider whether it is possible to undertake the research in-house. Given the specialist nature of the work (the need for econometric modelling expertise) and the need for access to databases of landlords, it would not be possible to undertake this work in-house. An external contractor would, however, be able to design, conduct and analyse critically the modelling and survey work necessary to achieve the research aims.
- 3.5 We have carried out a detailed review of literature to determine what research already exists. There are several studies which identify and describe a range of rent stabilisation measures applied in other countries. And at the London level, there has been a single study undertaken for a London borough. However, this explored the principles of rent stabilisation and features of different models which might be applied, rather than quantifying their effects. On the other hand, the work we propose, would allow the Committee to understand in some detail the nature and size of the potential effects of different measures London-wide on rental levels and supply. It would focus on what London landlords would do if faced with a range of rent stabilisation scenarios, looking both at increased length of tenure and the potential for indexing rental increases within and between tenancies.
- 3.6 We have researched the market to establish which suppliers would be best placed to undertake this work. There are only a few consultancies and universities which specialise in this type of econometric modelling. Some robust work of this kind has recently been undertaken by one supplier, using modestly-sized regional samples to build a national picture. The most cost effective route therefore is to ask the same supplier to use their established methodology to undertake a small piece of extra work, boosting the sample size in London, to ensure representativeness, for the purpose of focusing on London specifically. They would also undertake the research into the perspectives of commercial landlords.

4. Issues for Consideration

- 4.1 The Housing Committee agreed to recommend to the GLA Oversight Committee that it approves expenditure to a maximum of £10,000 to commission external contractors to provide research to support the rent stabilisation investigation. Provisional discussions with specialists in the field suggest this sum would enable the Committee to procure the technical advice and support required to undertake all three elements of the research identified above into the effects on price and supply

of a range of rent stabilisation scenarios. If the Oversight Committee approves this expenditure, the contract would be awarded in mid-July and the research would inform the Housing Committee's early Autumn investigation.

Assembly Decision Making Framework

- 4.2 The Assembly's Decision Making Framework includes a requirement that all four of the following criteria be considered by committees in deciding whether external technical assistance is required and appropriate on any given project:
- That the proposed project requiring technical assistance is clearly and tightly defined. This would ordinarily mean that the consultant would be used for a discrete piece of technical analysis or research rather than simply as an adviser for the whole of a scrutiny.
 - That the proposed project cannot be readily undertaken by in-house staff, either because of a lack of necessary expertise or because of a lack of capacity.
 - That the analysis required from consultants is not readily available and cannot be acquired elsewhere.
 - That the information required from consultants would be a significant contribution to the aims of the scrutiny.
- 4.3 Paragraphs 3.3-3.6 above are designed to demonstrate that all four of the criteria set out in the previous paragraph have been addressed and that external support for this project is necessary and appropriate.

5. Legal Implications

- 5.1 The Committee has the power to do what is recommended in this report.

6. Financial Implications

- 6.1 All costs arising from the appointment of an external contractor would be met from the 2015/16 scrutiny programme budget. Subject to approval, there is provision of up to £10,000 for commissioning this external support during 2015/16.
- 6.2 The contract would be awarded and managed in accordance with relevant GLA policies and procedures. As this project is consultancy based, the requirements of the GLA's Expenses and Benefits Framework and the Financial Regulations would also be adhered to.

List of appendices to this report: None

Local Government (Access to Information) Act 1985

List of Background Papers: None

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