

## Local Government and Communities Committee

### Scrutiny of Draft Budget 2017-18

#### Submission from Shelter Scotland

Shelter Scotland helps over half a million people in Scotland each year across all housing tenures. We believe that everyone has the right to a safe, secure affordable home and that housing is vital to people and families being able to flourish in their communities.

Shelter Scotland therefore welcomes the opportunity to submit evidence to the Local Government and Communities Committee on the Scottish Budget for 2017-18.

Since, for the first time, this evidence is called for in advance of the draft budget, our submission also outlines some questions which committee members may wish to draw to the Minister's attention when he meets with the committee.

#### **SUMMARY**

- Homelessness services do not yet appear to have taken the brunt of general fund service cuts, but we have concerns that this may change as caps on temporary accommodation charges begin to take effect.
- In certain niche services like empty homes work and private renting engagement work, there may be opportunities to fund service investment through additional income.
- The headline commitment to deliver 50,000 affordable homes (35,000 of which will be socially rented) is very welcome, albeit against an independently-assessed need for 60,000 affordable homes over the same period.
- The Scottish Government should commit to carrying out its own assessment of housing need during the target period.
- The scale of ambition in the target is such that all programmes, both national and local, need to be fully pulling in the same direction. It is not yet easy to tell whether the combination of programmes which the Scottish Government has is the optimal mix to deliver the 50,000 target. Similarly, in advance of the next round of Strategic Housing Investment Plans (SHIPs), it is not clear whether

local plans are fully aligned with that target and with local assessments of housing need.

### **Local government services**

In relation to the questions posed by the Committee we confine our comments to question 1. A recent report for Shelter Scotland “Funding Homelessness Services in Scotland”<sup>1</sup> [\[LINK\]](#) looked at potential pressures on homelessness services in light of the decline in homelessness applications but a rise in the use of temporary accommodation for homeless households since 2005<sup>2</sup>. While applications have fallen, as new “housing options” methods of assessment have been introduced, the research also highlights the greater complexity of needs being presented, alongside the continuing difficulty of ensuring that people are allocated appropriate permanent housing (hence the continuing high level of use of temporary accommodation).

Some councils report going through significant homelessness service redesign to deal with funding pressures, but the general view is that homelessness budgets have not been as impacted as other general fund services, at least, not yet. This is partly because temporary accommodation is by far the largest cost in the service and its costs are underpinned by housing benefit. The introduction of benefit caps will almost certainly produce a rationalisation and reduction of temporary accommodation charges. From the point of view of at least some service users, this might well be welcome although it is likely to leave a hole in funding for homelessness services in future years. At a time when general funds are under a lot more pressure there is a consequent risk to homelessness services.

More generally, local government funding from the Scottish Government has declined significantly in recent years – the Audit Scotland figure is an 11% real terms drop between 2010-11 and 2016-17, with fears of a further drop of 1.5 to 2.5% in 2017-18. In that context, additional service development has been limited, with a concern that councils are likely to focus on core statutory services rather than the more innovative, long term and preventative approaches extolled by the Christie Commission. However, there may still be scope for service innovation where additional income is possible. For example, many councils have been able to invest

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[http://scotland.shelter.org.uk/professional\\_resources/policy\\_library/policy\\_library\\_folder/funding\\_homelessness\\_services\\_in\\_scotland\\_policy\\_response](http://scotland.shelter.org.uk/professional_resources/policy_library/policy_library_folder/funding_homelessness_services_in_scotland_policy_response)

<sup>2</sup> Broadly, levels of use of temporary accommodation rose dramatically from early 2000s to 2010, and have plateaued since, at over 10,000 households at any one time.

in empty homes services, partly linked to powers to charge higher council tax on long-term empty homes. Similarly, Shelter Scotland has been piloting a new proactive model of improving standards in private renting by working with the landlords, in Highland and Dundee, with income from landlord registration offering the potential for extending that model further.

### **Housing supply: national targets and local delivery**

The commitment to deliver 50,000 affordable homes by 2021, represents the most significant housing programme commitment since the 1970s and is strongly welcomed.

The independently-conducted assessment of housing need [\[LINK\]](#) commissioned by Shelter Scotland, CIH Scotland and Scottish Federation of Housing Associations concluded that a programme of 60,000 affordable homes was needed over the same period<sup>3</sup>.

That does mean that a) the 50,000 ambition should be regarded as a minimum benchmark rather than an upper target; and b) to the extent that there is a shortfall, it will lengthen the time over which the backlog of housing need is cleared. Because of this, Shelter Scotland recommend that the Scottish Government should commit to carrying out its own assessment of housing need during the programme period. The Committee asks for views on the extent to which the centrally-managed programmes for housing supply are effectively-managed. It does appear that the programme overall is partly a legacy of inherited initiatives which have reflected priorities of their time. In other words, if we were starting with an overarching ambition to deliver 50,000 affordable homes, and to design a programme to meet that ambition, then we would not necessarily come up with the programme mix that Scotland currently has. This is particularly the case when considering the extent to which the programmes meet need: however well-administered, they are only effective if they actually provide homes to the people who most need them.

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[http://scotland.shelter.org.uk/professional\\_resources/policy\\_library/policy\\_library\\_folder/affordable\\_housing\\_need\\_-\\_final\\_report\\_september\\_2015](http://scotland.shelter.org.uk/professional_resources/policy_library/policy_library_folder/affordable_housing_need_-_final_report_september_2015)

## **Local delivery**

As the SPICE briefing makes clear, the backbone of the delivery of housing is through local authority and partner RSLs. At the time of writing, the latest round of Strategic Housing Investment Plans (SHIPs) have not yet been submitted but this will happen during the Budget scrutiny period. In order to be confident in the delivery of a 50,000 target the SHIPs would have to be moving in the same direction.

However, local authorities have also made it clear that SHIPs are themselves the product of compromise – framed by what local Housing Needs and Demands Assessments (HNDAs) have concluded, but trimmed by expectations on matters like availability of finance, and land and infrastructure constraints. So there may well be work to do to ensure that SHIPs and the national 50,000 target are aligned. Specifically, we would offer the following questions, or observations on this issue:

## **Home ownership schemes**

We have consistently questioned whether schemes to underwrite increased home ownership per se provide value for money in light of the scale of backlog housing needs. There is a risk that the various schemes simply allow households to vary the timing or scale of housing purchase, and in a way which provides little long-lasting benefit beyond the initial purchase. While, we recognise and support the aspiration of households to own, the scale of funding (at least £160m in 2016-17) is significant and the challenge for government is to ensure that home ownership is both easier to access and to sustain but without the level of direct financial commitment currently allocated.

## **Build to Rent**

Although not specifically funded by the AHSP, Build to Rent does feature in Scottish Government discussion on new housing supply. It refers to purpose built developments with single management models and institutional investment like pension funds. As compared to the very fragmented pattern which comes from buy to let models of renting, it offers a potential coherence of management and a quality of built form which is welcome. However, there are important questions about the levels of rents being generated by emerging Build to Rent developments and about

concessions which may be requested on affordable housing contributions<sup>4</sup> which may limit their contribution to meeting housing needs.

Shelter Scotland would welcome further exploration of the extent to which social landlords could provide market housing without recourse to public subsidy and perhaps drawing on public pension funds.

### **Infrastructure and land**

The main constraint on housing delivery remains infrastructure, with increasing recognition that the prevailing method of funding – via “section 75” planning contributions leads to a fragmented and incremental provision of infrastructure, funding shortfalls and an approach to development which shuns brownfield sites, with perceived higher risks and adds a premium to expected rates of return which results in higher housing cost.

In part, that is what has motivated the Scottish Government to introduce the Housing Infrastructure Fund, with both loan and grant streams. Members of the Committee may want to ask the Minister for an indication of take-up of those streams. In addition, the scale of funding available (£50m) is relatively small as against the cumulative infrastructure funding needs emerging from Local Development Plans. On access to land Shelter Scotland has supported reforms (backed by the Land Reform Review Group) which would free up developable brownfield land currently being withheld from the market by private landowners.

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<sup>4</sup> Typically, new developments with more than a certain number of units have to ensure that 25% of the development is “affordable”. Build to Rent advocates have argued that this should not apply to Build to Rent models. Shelter Scotland believes it should.