



## **Local Government and Communities Committee**

### **Housing Supply Budget: Summary of written evidence**

#### **1. Introduction**

The Scottish Government's Draft Budget for 2018-19 is not expected to be published until 14 December 2017. In light of this, the Local Government and Communities Committee agreed to undertake pre-budget scrutiny.

The Committee launched its call for evidence, featuring questions on both local government budget and housing supply budget, on 14 September. The Committee received 23 submissions to its draft budget 2018-19. Of these, 11 submissions made comments on the housing budget, although in some cases the comments made were relatively brief.

This paper provides a summary of the main points raised in the submissions related to the housing budget. A list of all the submissions received can be found at: <http://www.parliament.scot/parliamentarybusiness/CurrentCommittees/106441.aspx>

#### **2. Call for evidence questions**

In its call for evidence, the Committee asked:

“We want to hear your view on the three year RPAs and how this will help local authorities to plan to meet affordable housing needs in local areas and also the Scottish Government's 50,000 affordable homes target.”

The Committee also asked for views on any other aspect of the housing supply budget and any other aspect of the budget related to matters within the Local Government and Communities remit

#### **3. Themes from the Call for Evidence**

The following sections summarises the main themes in response to the call for evidence:

- **The three year Resource Planning Assumptions (RPAs) were welcomed**

The respondents that commented were positive about the three year RPAs. North Ayrshire Council's response summarised the benefits of this approach:

“The decision to move from annual RPA announcements to three year allocations has assisted our forward programme planning by providing additional

budget certainty. This has given us confidence in determining the extent of our programme, the profiling of the programme, and also in proceeding with land acquisitions and site investigations where required. The three year nature of the allocation has facilitated strategic decision making in terms of the types of units we will build, by allowing us to make decisions on site mixes across a longer term. In relation to procurement, the additional certainty provides opportunities to consider a more strategic approach to procuring partners for delivery of our programme.”

North Ayrshire Council also noted that a further benefit was the ability to update their Housing Revenue Account 30 year business plan to reflect the updated borrowing requirements for their development programme. The council said that this has given elected members and tenants a clearer picture for decision making in terms of the annual rent increases required to fully fund the programme.

While Aberdeen City council welcomed the three year RPAs they said that it is challenging to align exact level of development given this is driven by factors outwith the local authority control. As such, they argued, the annuality of the budget remains an issue.

The Association of Local Authority Chief Housing Officers (ALACHO) said that planning for investment beyond 2021 needs to start now to ensure continuity of planning and investment if progress on new supply is to be sustained. Similarly, South Lanarkshire Council said there would be benefits, in terms of promoting confidence in the sector, if there was longer term commitment to the provision of multi-year RPAs (although they did not that it was understandable that the period covered by the RPAs is limited to the lifetime of the parliament).

- **Scottish Government subsidy benchmarks**

The Scottish Government sets grant subsidy benchmarks which social landlords are expected to develop new housing with. There are lower subsidy benchmarks for councils compared to those for RSLs.

Three local authority respondents (Aberdeenshire, North Ayrshire and Renfrewshire) made specific reference to the subsidy benchmarks. North Ayrshire Council urged the Scottish Government to increase local authority subsidy rates, at least by interim construction output price index (OPI) rates. They said:

“This would allow subsidy rates keep pace with construction costs, and would help avoid the widening funding gap that local authorities and tenants require to fill in order to fully realise our collective development ambitions.”

Renfrewshire Council also indicated that an increase of local authority subsidy rates to match that of RSLs, “could have a significant impact on the level of new build housing councils can deliver.”

Aberdeenshire Council said that the national grant benchmark levels are often insufficient to allow the scale of affordable housing development to come forward that is required to contribute towards the national target, particularly on small

brownfield sites. They said that a, “grant benchmark level which reflects the costs of the local housing market would help to increase levels of new affordable supply.”

- **Housing in rural areas**

SFHA questioned whether sufficient housing is being developed in remote areas. They said:

“Recent research by the Rural Housing Scotland found that rural Scotland was not getting its fair share of affordable housing investment and that the problem was particularly acute in remote areas – although particular funds have been set up for rural and island communities to help address this.”

ALACHO said that one aspect of the housing supply programme to be addressed was:

“The extent to which new social housing supply (and other investment to support increased economic activity) in rural and island communities is properly balanced and sufficient to meet the Scottish Government’s ambition of “Repopulating and empowering Scotland’s rural, coastal and island communities.”

Comhairle nan Eilean Siar very much welcomed the allocation of resources for housing. They considered it is, “essential that housing funding is permitted to be used flexibly to prevent the significantly higher cost of building houses in island locations acting as a barrier to development, and consequently population retention.”

- **Housing for older people and those with particular needs.**

SFHA raised the issue of the provision of homes for older people and for people for particular needs. Again, these issues were raised during last years’ budget evidence sessions. SFHA referred to the work of the Housing Subsidy Review Group which recommended a ring fenced fund to support the supply of new build housing for older people and people with particular needs but this was not accepted by the Scottish Government. Aberdeenshire Council said:

“Given the lack of additional grant available for properties which meet particular needs, it is challenging to provide enough stock to ensure people live independently for as long as possible. Investment in future-proofing the housing stock should pay for itself through reduced strain on health and social care budgets and even the practical elements of retro-fitting aids and adaptations.”

SFHA said that it was vital that the provision of housing for particular needs is monitored. ALACHO said that there were a number of aspects of the housing supply programme that needed to be addressed. One of these aspects was, “the level of investment in new specialist and supported housing.”

## ***Adaptations***

There are different arrangements in place for funding adaptations depending on who the social landlord is. SFHA's response said, that,

“Under the current regime, housing associations must apply for funding from the Scottish Government. This leads to delays in providing the adaptation and anxiety around funding running out before the end of the financial year.”

ALACHO also suggested that there is anecdotal evidence that RSL tenants are receiving a less effective service in relation to adaptations and there is anecdotal evidence that RSL tenants have to wait months, rather than weeks for some adaptations.

ALACHO raised a concern that with the transfer of council adaptations budgets to the integrated joint boards there is no longer any clarity on strategic leadership and the adaptations programme is run wholly separately from other adaptations processes.

Both ALACHO and SFHA acknowledged the work that the Scottish Government has been undertaking in relation to adaptations, including the Adapting for Change pilots, which tested changes recommended by the Adaptations Working Group. The changes focussed on a tenure neutral approach to funding adaptations. The SFHA said it was in discussion with the Scottish Government about such an approach.

ALACHO said that given there is a role for Integrated Joint Boards, and that the Adapting for Change pilots are now five years old, there is scope to look again at where strategic leadership for adaptations should rest.

- **Challenges to delivering the 50,000 affordable homes target**

While respondents to the call for evidence were supportive of the resources devoted to housing supply some respondents mentioned challenges to deliver the Scottish Government's 50,000 affordable homes target. These echoed concerns that the Committee heard during last years' pre-budget scrutiny evidence sessions. SFHA said that these challenges included resources and skills, access to affordable land and the funding of infrastructure.

SFHA recognised that forthcoming developments such as the planning bill and the Land Commissions proposals to increase the supply of land for affordable housing would provide opportunities to help provide affordable land and deliver infrastructure up front. SFHA also said that it would be helpful if City Region Deals gave greater priority to unlocking land and infrastructure for housing and if the funding available through City Region Deals was more transparent.

South Lanarkshire Council highlighted a concern that that the construction sector and associated supply chain will come under significant pressure to deliver over a relatively short period of time (3 years) and this will impact on tender prices.

Renfrewshire Council referred to the current Housing Infrastructure Fund. They said that, “it may “de-risk” investment for councils and other parties if this were considered more for inclusion in an increased RPA and subsidy as up-front investment.”

- **Homelessness**

Shelter Scotland’s submission mentions a study they commissioned in 2016 on trends in funding local authority homelessness services. The study highlighted pressure on homelessness service delivery and expenditure for around half of participating local authorities. The study concluded that once there is clarity over cost of homelessness services, value for money for temporary accommodation charges, and affordability, the Scottish Government/ Scottish Parliament may wish to consider stimulating innovation in the sector to explore a wider range of funding methods, and to use its powers to mitigate against the difference there may be between the cost and affordability. Shelter also raised a concern about funding temporary accommodation services in light of welfare reform measures.

ALACHO said that there were still areas to be addressed around the funding (both capital and revenue) that is available for the provision of high quality temporary and interim accommodation for homeless households.

### ***Mental Health and Homelessness***

ALACHO repeated its concerns it raised in last year’s budget evidence in relation to the scope and effectiveness of mental health services available to those facing “multiple exclusion” homelessness. In particular, they noted that the then draft ten-year vision for mental health made little direct connection between mental health and homelessness or housing issues more generally. ALACHO argued that the situation had not improved over the last year and that:

...” the funding and configuration, even the clinical practices of most community based mental health services operate in a way that can exclude the most vulnerable homeless clients and add to, rather than reduce the challenges they face.

There has been little or no effective discussion of these issues through the Health and Social Care integration process and no substantial progress in improving access to mental health services for those facing “multiple exclusion” homelessness.

It is also worth noting that many of this client group also face significant problems accessing GP services. Another area where little or no progress has been made outside the very impressive work of a small number of specialist GP practices working in Scotland’s poorest communities. The so called “Deep End GPs.””

ALACHO did welcome the establishment of the Homelessness and Rough Sleeping Working Group and said that this has provided an opportunity for a properly evidence based review of policy and practice in relation to homelessness and

temporary accommodation. While they welcomed the commitment of £50m over five years to support the implementation of the group's recommendations they were "doubtful that the work of this group or the allocation of £50m over five years to the "ending homelessness fund" will be sufficient to fully address these issues."

- **Help to Buy Shared Equity Scheme**

Homes for Scotland noted its support for the Help to Buy Shared Equity Scheme (HTB). They argued that as a housing policy,

"...the HTB initiative has been successful in supporting a section of the market which, following the global economic crisis, found itself locked out, with no access to high Loan to Value lending, and limited to a Hobson's choice of an expensive private rented supply or a social housing system already under a pressure with allocations strictly based on need."

Homes for Scotland referred to the UK Government's announcement on 2 October that the government would invest a further £10bn in the Help to Buy equity loan in England. They urged the Scottish Government to use any Barnett consequential of this announcement to retain, as a minimum, an annual budget of £50m for HTB Scotland up to and including 2020/21.

- **Housing and Women**

The Scottish Women's Convention noted that the lack of quality, affordable homes whether for rent or to buy is a major issue for women across Scotland, affecting both rural and urban areas. Their submission raised the particular matter of rising living costs and rent costs that have led many women into rent arrears or eviction. They said that, "The number of households, overwhelmingly women, applying for these payments has increased exponentially to make up shortfalls in rent" and that the Scottish Government should continue to provide local authorities with funds to ensure that women do not end up in rent arrears face eviction and homelessness. The Scottish Women's Convention welcomed the enactment of the Private Housing (Tenancies)(Scotland) Act 2016.

- **Energy Efficiency**

Aberdeenshire Council referred to the requirement of social landlords to meet the Energy Efficiency Scottish Social Housing (ESSH). The council indicated that the standard:

" places significant strain on the same local budgets that have to pay for new affordable supply. This limits the capacity of social housing providers to provide additional new build and their ability to draw down the high levels of grant that are available. There is arguably an opportunity for more joined-up planning around the competing priorities of meeting ESSH by 2020 and the concurrent 50,000 affordable homes target during the current parliamentary term."

SFHA noted that while there has been significant investment to improve home energy efficiency by housing associations, levels of fuel poverty remain

significant – 27% for housing association tenants against a Scottish average of 31%. They said that the problem is even more significant in off gas and rural areas where energy costs are high and the climate more severe.

SFHA referred to Scotland’s Climate Change Plan which proposed that 80% of homes should be heated by low carbon and renewable heat by 2032. They argued that since this form of heating is generally more expensive than gas central heating, “it is vital that significant investment in home energy efficiency and access to affordable low carbon heat and power is available to reduce carbon emissions and address fuel poverty.”

- **Objective of Scottish Government investment**

ALACHO’s response said that there was no clarity about the Scottish Government’s overall objective of what intervention in the housing market is intended to achieve or what a property effective housing system would look like. Their response argued that, in the long term, “we need a stronger consensus on investment objectives and the sort of housing system that Scotland needs”.

Renfrewshire Council said that while the target delivery of 50,000 affordable homes across Scotland is clear there is limited information on any expectation from the Government on City Region targets. They said that the target is not broken down making it difficult to gauge expected targets for local area.

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