Introduction and General Comments

1. South Lanarkshire Council welcomes the opportunity to respond to the Finance Committee questionnaire on the Housing (Scotland) Bill’s Financial Memorandum. We have responded to the pre-Bill consultation process and have also played an active role in stakeholder discussions of the Housing Policy Advisory Group.

2. We are broadly supportive of the Bill’s provisions and aims and believe the legislation will have a positive impact on both safeguarding social housing and to help improve housing conditions of the Private Rented Sector (PRS). However, the current financial climate poses a considerable challenge to resource allocation within specific (diminished) budgets.

3. In view of the future abolition of RTB, we, in this financial year, may already be seeing an impact of the policy change where the expected RTB sales budget for 2013/14 is £2m, and current actual is £2.4m – with an outturn of £3.5m expected by the end of this financial year. Taking these figures into account, we are expecting a ‘spike’ in RTB sales every year prior to the policy being fully implemented in approximately three years’ time.

4. There is one area of the Bill where we do perceive a potential significant additional resource investment to be made by local authorities. The discretionary powers for local authorities to apply as a third party to the Private Rented Housing Panel (PRHP), where the private landlord has failed to comply with the Repairing Standard, could have considerable resource implications (aside from giving authorities ambitious new duties to enforce). For this reason, we believe it is necessary to exercise some caution in terms of the assumption inherent in the FM that local authorities can reasonably carry out this new role without identified new resources.

Consultation

Did you take part in either of the Scottish Government consultation exercises which preceded the Bill and, if so, did you comment on the financial assumptions made?

5. South Lanarkshire Council has extensively commented on the financial assumptions made in the following consultations (which proceeded the introduction of the Bill in November 2013) –

- Homes Fit for the 21st Century;
- The Future of Right to Buy (RTB) in Scotland;

1 For more detail please see our answers to Question 5 and 6 in this response
• Affordable Rented Housing: Creating flexibility for landlords & better; outcomes for communities;
• Consultation on a PRS Strategy for Scotland; and
• Through dialogue with stakeholders at the Housing Policy Advisory Group where specific policy areas to be included in the Bill were discussed.

Do you believe your comments on the financial assumptions have been accurately reflected in the FM?
6. Largely, yes – but see specific comments detailed below.

Did you have sufficient time to contribute to the consultation exercise?
7. Yes, South Lanarkshire Council felt we had an appropriate amount of time to contribute to the consultation exercise.

Costs
If the Bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the FM? If not, please provide details?
8. For this question we have focussed our attention on the policy areas that the Financial Memorandum (FM) outlines that are likely to have cost implications for South Lanarkshire Council.

9. Taking each of relevant provisions in turn –

RTB
10. South Lanarkshire Council believes abolishing the RTB will remove continuing uncertainty in terms of future levels of supply of social rented housing. The change will also support local authorities to meet the continuing duty to provide permanent accommodation to homeless households and to help develop the supply of affordable rented housing in line with wider strategic objectives. In our response to the The Future of RTB in Scotland we outlined that the loss of RTB income will require changes to our Business Plan which could include generation of additional income from other sources – including increased borrowing or a reduction in our Housing Investment Programme, etc. More specifically, we are aware that –

• While 2012 figures for South Lanarkshire Council RTB sales reveal they have reduced very significantly over the last decade (RTB receipts then accounted for 2% of funding for the Business Plan compared with 23% in 2004/5); and
• Recent evidence suggests that the policy change is already having an impact and that a ‘spike’ in RTB sales preceding the abolition of the policy is likely (and that it is assumed that there will be a doubling of the 60 sales to 20 sales in 2014/15 to 2016/17).

11. From the date that the abolition of RTB is introduced, we expect that –

• The loss of the capital receipt from RTB sales will be partly offset by the continuing rental income stream from the houses remaining in stock; and
• That the modelling from the Scottish Government indicating ending RTB would be, at worst, cost neutral (taking into account the rental stream retained, against income from sales receipts lost) looks accurate.
Allocation of Social Housing

12. South Lanarkshire Council regularly reviews and updates the Housing Allocation Policy to ensure it is responsive to local needs and demands and makes best use of available council stock. For this reason, we generally agree with assumptions in the FM that new additional costs associated with the new provisions are unlikely for local authorities.

Creation of a SSST (to grant and to convert from SST);
Grant SSSTs for homeowners;
Extension of SSST term;
Further one off extension of SSST for 6 months; and
SSST reasons to tenants for repossession.

SST – qualifying period for assignation, sublet, succession and joint tenancy

13. South Lanarkshire Council, in earlier consultation responses, have highlighted the issue where local authorities are given new duties without allocation of new resources to help fund their operation; in some instances leaving a financial burden on the council. The FM identifies a number of cost assumptions based on the above provisions that require local authorities to increase the extent of housing support for tenants –

- That housing support is already provided to tenants in SSSTs.
- Since June 2013, homeless households have been assessed for their housing support requirements as part of a new housing support duty.

14. While the financial implications of these assumptions appear to be largely reflected within the FM, we believe there are some limitations with them, and in particular, with the data used to support them –

- That the housing support costs outlined in the FM are based on 10 year old Supporting People figures uprated for ‘inflation’.
- That the savings assumptions are based on limited five year old research which indicates that “around 50% of perpetrators will desist from antisocial behaviour to keep their tenancy secure” – also with the assumption outlined in the FM that ASB will stop when their tenancy is converted from a SST to a SSST (or when new tenants are provided with a SSST).

15. We would also emphasise that in light of the continuing pressures, it is extremely difficult to identify new resources to meet the extended housing support requirements.

Transfer of PRS dispute cases from civil courts to a tribunal
Tacit approval of landlord registration applications (after 12 months)
Third party application of the Repairing Standard
Enhanced Enforcement Areas

16. The majority of the Bill’s provisions relating to the PRS will not have a negative financial impact on local authorities. However, we agree with the FM that there are some costs associated with –
• Tacit approval after 12 months if council’s require to ask for an extension (to a sheriff) of the 12 month registration period.
• Gathering evidence for a third party application of the repairing Standard on, for example, property condition, and the processing of an application and defending an appeal by a landlord (for more detailed information relating to costs for this provision please see our answer to Question 5 below).

Do you consider that the estimated costs and savings set out in the FM and projected over 15 years for each service are reasonable and accurate?

17. In relation to the costs and savings that we anticipate will impact on our organisation, these have been dealt with in our response to Question 4 above.

18. With regard to the 15 year projections in relation to the third party application to the repairing standard in view of an expanded PRHP it should be noted that while we support the intention of the Bill’s approach that local authorities can act as a third party to the PRHP, and consider the approach could increase flexibility to address poor standards in the PRS, we have some reservations (outlined below) regarding the resourcing of it.

19. The FM states that there should not be a significant cost burden to local authorities for implementing this provision but it appreciates that gathering evidence on property condition, processing of applications and defending a case (on appeal of a decision in court) will give significant, ambitious and new duties to local authorities in which they will have to enforce. In light of no new resources for local authorities, we propose that the Scottish Government clarifies whether councils could be left with a continuing (and potentially increasingly costly) responsibility to oversee the support and defence of applicants who would come under this new jurisdiction.

If relevant, are you content that your organisation can meet the financial costs associated with the Bill which your organisation will incur? If not, how do you think these costs should be met?

20. There is always a challenge of meeting new legislative provisions with existing resources or being able to source new funds from additional borrowing. For some time now, however, South Lanarkshire Council have been planning to take into account the financial impact that, for example, the abolition of RTB would bring. In this respect, there are a number of the Bill’s provisions that we have no major concerns with and where the financial costs associated with them can be met.

21. However, in respect to the discretionary powers for local authorities to apply as a third party to the PRHP, there could be a continuing and costly responsibility for councils to ensure the support required to meet the provision is made available to the tenant. We believe it is necessary to exercise some caution in terms of the assumption inherent in the FM that local authorities can reasonably carry out this new role without identified new resources. Indeed, the feedback from local authorities mentioned in the FM notes general concern in this regard. It is important, therefore, that further work is carried out to establish resource requirements and that consideration is given to what actions could be put in place to help the PRHP to support councils who have duties to carry out third party reporting.
Does the FM accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?

22. South Lanarkshire Council understands that introduction of a number of the provisions – particularly those relating to increased housing support provision surrounding SSST changes – are based on estimates and understand the variable nature of this type of service provision. As outlined earlier in this response (Question 4), we do question how accurate the use of (approximately) 10 year old housing support cost data is in calculating these costs. Likewise, for the cost ‘savings’ element of these provisions, it is assumed that ASB stops in approximately 50% of cases when a tenancy is converted from a SST to a SSST (where that assumption is based on limited research).

Wider Issues

Do you believe that the FM reasonably captures costs associated with the Bill? If not, which other costs might be incurred and by whom?

23. Whilst we believe the FM reasonably captures the costs associated with introducing the Bill, it arrives at a time where Scottish Local Authorities have constrained budgets and very limited additional resources to implement new provisions; or to revise existing services and make changes to policies, practices and procedures.

24. However, we believe caution should be exercised in view of future local authority resourcing of the third party reporting provision to the PRHP (see comments to Question 5 and 6) where there looks to be a expectation that councils can reasonably be excepted to fund it without additional resources.

Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation? If so, is it possible to quantify these costs?

25. None at present.