1. **Introduction**

1.1 As the national representative body for housing associations and co-operatives in Scotland, the Scottish Federation of Housing Associations (SFHA) welcomes the opportunity to respond to the Infrastructure and Capital Investment Committee’s call for evidence to inform their scrutiny of the Draft Scottish Budget 2012-13 and the Scottish Spending Review 2011. We also appreciated the opportunity afforded to us to provide oral evidence on this subject on 26th October 2011.

1.2 We would urge politicians from all parties to give consideration to the full social and economic value that is derived by funding preventative services which keep Scotland’s most vulnerable people safe from harm. This also ensures that core service budgets such as health, social care and justice are not put under unnecessary additional pressure, especially at a time of fiscal challenge.

1.3 Good quality, warm and genuinely affordable housing is central to a successful Scotland; Scotland’s housing associations and co-operatives have an excellent track record in providing this. The range of additional services they provide, alongside housing provision, makes a significant contribution to the prevention of costly public expenditure in other areas of the Scottish Budget. This submission outlines how government policy and adequate public investment can ensure the continued and improved delivery of these objectives.

1.4 Housing associations and co-operatives have the potential to play a major role in economic activity, in supporting training and employment; in improving energy efficiency and getting households out of fuel poverty; in reducing costs to government through preventative spending and in helping an ageing population to remain at home and live more comfortable and fulfilling lives.

1.5 Our members provide vital housing, housing support and community regeneration services throughout Scotland, from the most densely urban to the most remote rural communities. They often operate in the poorest communities in our country. Housing associations and housing co-operatives in Scotland own, manage and maintain 46% of the country’s affordable rented housing stock and 11% of the total stock. This represents 272,401 homes across Scotland.

1.6 The UK Government’s welfare reform agenda includes radical reform of Housing Benefit. The current proposals threaten the security of the income streams of housing associations and co-operatives, which risks undermining the confidence of lenders in investing in the sector.\(^1\) It will also threaten the ability of our sector to safeguard the future of its existing stock. The proposed welfare reforms will impact most on the poorest people in society, a large proportion of who live in social housing. We have submitted separate written evidence to the Committee on this subject and oral evidence on the same on 26th October 2011.

1.7 Our evidence on the Scottish Budget is in three parts:

- investing in new affordable housing;
- investing in the energy efficiency of existing housing;
- preventative spending to avert costly crisis interventions.

1.8 While we acknowledge that the Preventative Spending Report published last year had a major focus on Early Years interventions, we would urge Parliament to ensure that this is not prioritised to the detriment of other areas where preventative spending has an equally powerful and demonstrable

value. Housing is a powerful economic and social tool and it needs to have a much higher priority in public investment decisions.

2. Investing in New Affordable Housing

2.1 Affordable housing is not only a basic human need; it is the foundation of a civilised society. The psychologist Maslow’s hierarchy of human needs recognises shelter as a prime need for every human being, as important as air, food and water. Yet affordable housing was one of the biggest losers in the 2011-12 Scottish Budget and is set to be so again in the 2012-15 Draft Scottish Budget. 2

2.2 In July 2011 the SFHA, together with the Scottish Building Federation and the Glasgow and West of Scotland Forum of Housing Associations, published a joint statement outlining the case for investing in housing as a national priority. The text of this statement, Making Housing a National Priority, is included in the annex to this submission. We commend its content to the Committee.

2.3 In a public opinion survey conducted by the Scottish Building Federation and the Chartered Institute of Building in Scotland in 2011, new affordable homes for those on the housing lists is the public’s number one priority, ahead of schools and hospitals. The poll asked people what the Scottish Government’s top three priorities for construction spending should be over the next three years. 5

2.4 The overall amount of funding available for new investment in housing has been cut by over 30% in 2011-12 and subsidy levels were cut by around 48%. 6 This has become unsustainable.

2.5 According to the 2012-15 Draft Scottish Budget, this is set to be cut further; by nearly 50% in the first two years. Whilst we welcome the publication of a three year budget, our sector now faces a significant challenge in developing much needed genuinely affordable homes for rent.

2.6 Future subsidy benchmarks must reflect the costs of providing genuinely affordable social rented housing and the long term value that this provides. Otherwise, we will see a long term shift in housing investment with ever higher levels of mid market rent and shared equity housing. Whilst there is a market for these in some locations, their provision must not be at the expense of much needed low cost rented housing for those in greatest need.

2.7 Adequate government subsidy is essential to the continued supply of genuinely affordable social rented homes. This is because housing is expensive to build, to live in and to manage and maintain. Adequate government subsidy enables rents to be set at levels that are genuinely affordable to low income households. It is not the providers who need government subsidy, but the tenants living in social rented homes. There are two forms government subsidy can take and both are currently in use: Housing Association Grant (a capital subsidy to the housing developer) and Housing Benefit (a revenue subsidy to the tenant). The capital subsidy is one off and under the control of the Scottish Parliament, whilst the revenue subsidy is open-ended and controlled by the Westminster Parliament. The continued provision of social rented housing requires a balance of both of these forms of subsidy. Yet both are currently under serious threat.

2.8 In an effort to meet housing need, the 2011 manifesto of the SNP stated its aim to build 6,000 new socially rented homes each year. 7 Without a significant increase in public investment in housing association new build, there is little chance of the target being met. Given that the Scottish

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6 Based on the average grant subsidy for HA rent in 2009-10, as in Scottish Government, Affordable Housing Investment Programme Out-turn Report 2009-10, Table 10, Available at http://www.scotland.gov.uk/Resource/Doc/1125/0105185.doc (accessed 1 September 2011). 2010-11 out-turn data was not available at the time of writing.

Government expects councils to build 1,000 affordable rented houses in each of the next three years, the remaining 5,000 homes per annum would need to be built by housing associations and co-operatives. We acknowledge that it has since been clarified by the Scottish Government that the target is actually that two thirds of new affordable housing supply will be for social rent each year. We remain unconvinced that this target can be met if the average per unit subsidy benchmark remains at £40,000.

2.9 Although the uptake of the Innovation and Investment Fund was high, our research with our own members has shown that building with this low level of subsidy is not sustainable in the long term. Of the successful housing association bidders to the IIF this year, only one has told us that they could continue to build at the £40,000 subsidy benchmark in subsequent years and even then, only for a small number of homes.

2.10 We would urge the Scottish Government to use the £67m in Barnett consequentials from the English Council Tax freeze to boost the supply of genuinely affordable social rented housing.

2.11 The additional borrowing powers available through the Scotland Bill present an opportunity to provide long term investment at a sustainable level. We support the Scottish Government’s call for these to be strengthened and accelerated so that they can be used right now to make genuinely affordable housing a national priority.

Creating Jobs and Stimulating the Economy

2.12 House building is a labour intensive industry. According to research for the Scottish Government last year, investing in affordable housing is an effective way to boost jobs and stimulate the economy.  

2.13 The SFHA acknowledges the statement by Keith Brown, Minister for Housing and Transport, at our recent Annual Conference: “This Government has shown through the spending review that it recognises the role that investment in housing can play in driving economic growth and providing jobs as well as homes that people can afford.”  

But given the strong evidence of how significant this role could be, we would urge the Scottish Government to give a higher priority to investment in genuinely affordable housing.

2.14 In fact, construction has been shown by the Government’s own research to have a larger positive impact on the Scottish economy than any other industry.  

Housing construction has higher ‘multipliers’ than other industries for income, output and employment. The construction sector employs around 5% of all Scottish employees, or 127,000 people, with an estimated further 63,000 construction workers being self-employed. In an economy still struggling with the effects of the credit crunch and recession, these must be major considerations when allocating spending.

2.15 Furthermore, housing association new build makes an extremely important contribution to employment and output in the construction sector. As a proportion of total new build completions in Scotland, the quantity of new build homes completed by Scotland’s housing associations has almost doubled from 16% in 2006 to 31% in 2010. So in a period when far fewer houses have been built in Scotland overall across all the tenures, housing association and co-operative contracts have helped to sustain the construction industry as private housebuilding levels have collapsed.

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9 Ministerial Address, SFHA Annual Conference, Thursday 22th September, Grand Central Hotel, Glasgow


11 Monk et al, as above.  

2.16 Investment in affordable housing also supports training and job opportunity - between April and December 2010, 32% of all Modern Apprentices that successfully completed their training in Scotland did so in construction or one of the associated trades (e.g. plumbing, electro-technical services).¹³

2.17 Housing associations and co-operatives lever in significant private finance to boost public investment in housing.

**Meeting Housing Need**

2.18 In *Making Housing a National Priority*, we emphasise that the need for affordable housing is reaching crisis levels in Scotland. There are now 335,000 households on housing association and co-operative housing lists for affordable rented housing in Scotland.¹⁴ Since the Right to Buy was introduced there has been a net loss of 337,467 affordable rented homes in Scotland.¹⁵

2.19 The most recent study into housing need in Scotland estimated that, in order to meet housing need, it would be necessary to build 10,000 affordable rented units per year.¹⁶ Given that this research was carried out by Bramley before the credit crunch, this is likely to be a conservative estimate. The subsequent recession has made home ownership more difficult to attain, with many aspiring first time buyers struggling to find the deposits required by lenders.¹⁷

**Health and Educational Benefits**

2.20 Investing in genuinely affordable rented housing provides the benefits of preventative spending for health and education. Investing in genuinely affordable rented housing helps reduce social inequality, which in itself has wider benefits on health and education.

2.21 There are clear relationships between poor housing conditions and poor health: improvements to housing environments (internal and external) can lead to improvements in physical health conditions, mental health and well-being. Evidence suggests that both overcrowding and homelessness impact in a particularly negative way on children’s educational performance, as well as on their physical and psychological health and life chances.¹⁸

2.22 In 1999, the Scottish Office published a report that summarised the research evidence at that time of the links between poor housing and ill health. The report argued that, “the body of research conducted over the past 20 years, which shows that associations between housing and health do exist, supports the argument that good quality housing has a role to play in both physical and mental health”.¹⁹

2.23 In 2008, Scotland’s Housing and Regeneration Project (SHARP) considered the impact of local regeneration and relocation to new-build social housing on health and a range of other outcomes. The study found that very specific aspects of the built environment such as housing design and street

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¹⁴ Statistics supplied to SFHA by the Scottish Housing Regulator (5 July 2011) based on data in the 2009-10 Annual Performance and Statistical Return


layout can impact on mental well-being and quality of life by altering key psychosocial processes such as control, privacy and sociability.  

2.24 Investing in quality affordable rented housing that is well managed will provide wider social and economic benefits and fits the “spend to save” agenda.

3. Increasing the Energy Efficiency of Existing Housing – Cutting Fuel Poverty and Combating Climate Change

3.1 Housing associations and co-operatives have a major role to play in reducing fuel poverty and combating climate change. Our sector has the most energy efficient housing in Scotland and we are well placed to lead on energy efficiency improvements and the generation of renewable heat and electricity, minimising fuel poverty whilst creating jobs and training opportunities.

3.2 The Scottish Government has set ambitious targets for cutting carbon emissions and for eradicating fuel poverty by 2016. These are challenging targets, particularly given recent inflation busting rises in fuel prices which have led to over a third of Scots’ households being in fuel poverty. Making significant increases to energy efficiency in existing housing is essential.

3.3 Domestic housing is responsible for around 27% of the UK’s carbon emissions, so this is an obvious area where investment can secure progress towards Climate Change targets. Housing association homes are built to high energy efficiency standards, reducing household productions of CO2. Improving existing homes has an even greater potential for energy savings. The Energy Saving Trust has calculated that improving all homes to at least a D standard would result in a 25% reduction of emissions from 1990 levels.

3.4 Fuel poverty is a significant issue in Scotland. Twenty nine percent of social housing tenants in Scotland live in fuel poverty, and with rising fuel prices and a pattern of harsher winters, this looks set to increase. The Scottish Government aims to eradicate fuel poverty in Scotland by 2016. The SFHA applauds this aim, and we would draw attention to the Existing Home Alliance’s calculation that achieving this would require investment of £170m per year, and even to meet climate change targets would require investment of £100m per year. These figures equate to less than the cost of 2km (£173m) and 1 mile (£138m) respectively of the M74 extension, but the benefits would felt all over Scotland and (in the case of environmental targets) the wider world.

3.5 Warm, dry homes promote better health, both mentally and physically. A study in the British Medical Journal demonstrated that a standard retrofit installation package resulted in participants taking fewer days off school and work due to ill-health, making fewer GP visits, and feeling healthier. This is why building new, energy efficient homes and refitting existing homes must form part of the preventative spend agenda.

3.6 Our members have a strong track record on asset management and have made excellent progress towards meeting the Scottish Housing Quality Standard, which includes energy efficiency measures.

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22 42 % reduction in carbon emissions by 2020 and an 80% reduction by 2050 – both from a 1990 baseline


26 Energy Saving Trust, Reducing Emissions from Social Housing, June 2010, p1

27 Howden-Chapman et al. (2006) Effect of insulating existing houses on health inequality, BMJ 14/12/06. Available at http://www.bmi.com/content/334/7591/460 (accessed 31st October 2011)

3.7 Housing associations and co-operatives are leading the way in addressing energy efficiency. They have the potential to show others the way on schemes that retrofit energy efficiency measures and renewable energy in homes throughout Scotland. Housing associations and co-operatives are well placed to deliver the Warm Homes Fund announced by the First Minister in his speech to the Scottish Parliament on 26th May 2011.

3.8 The SFHA and its members are actively working to alleviate fuel poverty and address climate change. Our work includes:

- Development of a carbon portal project, with funding and support to date from the Scottish Government, to assist members to identify the most cost effective ways to improve the energy efficiency of their stock, and link them to funding opportunities to improve that stock;
- Involvement of a retrofit of renewables sub group (led by the Scottish Government) to provide renewable energy and alleviate fuel poverty amongst tenants;
- Sharing best practice and promote information on funding opportunities and new technologies.

3.9 There is no doubt that housing associations and co-operatives face considerable challenges to increase energy efficiency and cut fuel poverty. The Scottish Government's Energy Efficiency Action Plan consultation, which looked at how the targets set in the UK Government's Climate Change Act could be met, estimated that it would cost an average of £7,000 per house, around £16b in total, to bring homes up to the required standard by 2020. While, as highlighted above, the SFHA and its members are involved in a number of initiatives to improve energy efficiency and tap into funding, finding the funding solutions remains a significant challenge. There is potential to use funds such as the Feed in Tariff, the Renewable Heat Incentive, the JESSICA fund and the ERDF to improve energy efficiency and install renewables.

3.10 Scotland needs a comprehensive strategic framework to be put in place to enable a house by house, street by street, approach to improve energy efficiency in Scotland’s housing and assist the Scottish Government to meet its targets on fuel poverty and climate change. SFHA is one of the founding members of the Existing Homes Alliance, a cross sector group that aims to highlight the importance of energy efficient housing in combating climate change and addressing fuel poverty. The Existing Homes Alliance’s Declaration states that:

“Government and industry action should focus on a ‘whole-house’ area-based approach, which applies packages of low carbon improvements across an area over a short period of time. This approach brings greater economic savings and causes less disruption to householders since a number of interventions are installed at once. Improvements to water and other resource use...”

33 The Feed in Tariff is an energy company funded scheme that guarantees tariff payments for the generation of renewable energy over a period of time. The Renewable Heat Incentive is funded by the Department of Energy and Climate Change and will provide guaranteed payments for the generation of renewable heat, for example through biomass schemes. JESSICA is an EU backed fund that provides loans or loan guarantees to fund regeneration and energy efficiency projects. ERDF – European Regional Development Fund - - a scheme that funds development and infrastructure in Europe’s poorer regions. It is possible for up to 4% of ERDF to be used to fund housing energy efficiency schemes and the SFHA is calling on the Scottish Government to take this approach.
efficiency should also be included. This should be undertaken in conjunction with a national, demand-led programme and be fully integrated with an adequately resourced fuel poverty programme. To make this happen, significantly more investment is required, from Government, utilities, and householders.34

3.11 In order to meet the 2016 fuel poverty target and achieve the carbon emissions reductions set out in the Climate Change Act, it will be necessary to:

- Deliver area based retrofit schemes for energy efficiency and community energy schemes, providing financial incentives and attractive loans for all residents irrespective of their housing type and tenure;
- Provide a mix of widely available low interest loans, council tax rebates and grants which will make low carbon choices possible for all. The poorest households must be prioritised for assistance to eliminate fuel poverty by 2016.

3.12 As we have highlighted above, the Scottish Government has estimated the cost of meeting the existing targets at £16b.35 This is a significant investment requirement. Housing associations and co-operatives do have reserves, but these are already largely committed to meeting the Scottish Housing Quality Standard and prudent risk cover. In addition, our sector will need to assess the additional investment required to meet the proposed Climate Change Standard. There is also immense pressure from the Scottish Government to use these reserves to subsidise new affordable housing. Our sector’s reserves are not inexhaustible and they can only be used once. The existing demands on the reserves pot go significantly beyond what is deliverable.

4. Preventative Spending to Avert Costly Crisis Interventions

4.1 Public services in Scotland face a challenging financial future, with ever-tightening public sector finances, and a continued emphasis on deficit reduction over the term of the current UK Parliament, and at the same time, a range of different forces driving demand for public services upwards, including:

- the changing demographics arising from an ageing population which will not only increase but change the nature and profile of service provision which is demanded;
- the effects of the recession which may see increased demand on health services, employment services, the social welfare system, justice and education.

4.2 To meet the challenge of delivering more with less, the Scottish public sector needs to undergo a “paradigm shift” to move the emphasis of spending priorities from expensive “crisis-response” models of provision towards more “early intervention” preventative services.

4.3 Scotland’s housing associations and co-operatives deliver a range of preventative services across the following: older people’s housing; housing adaptations; housing to meet varying needs; wider role activities; community regeneration; financial inclusion initiatives; housing support services.

Older People’s Housing

4.4 The traditional housing support function of the sheltered housing warden has been eroded in recent years by a combination of different factors. These include downward pressure on local authority commissioning budgets, the European Working Time Directive and our sector’s inability to continue to provide services which cost more than is received in revenue.36


36 Thus showing a consequent loss in their accounts
4.5 However, the value that they deliver is immense and they remain popular for a number of older people who could and possibly would otherwise have to be admitted to much more expensive care homes or hospital care. Working in partnership, Bield, Hanover and Trust Housing Associations have commissioned a Social Return on Investment study looking at adaptations and very sheltered housing, more of which below. We commend this report to the Committee.

Adaptations

4.6 The Scottish Government has been consulting our sector about the future funding of housing adaptations. Irrespective of how they are funded in future, the value of housing adaptations in terms of savings to health and social care budgets is indisputable.

4.7 The provision of adaptations to existing properties is one area where preventative spending can save millions. A recent study showed cost savings of £5.50 to £6 per £1 invested in Stage 3 Adaptations in sheltered or very sheltered accommodation. The Scottish Government alone saved £3.50 to £4 for ever £1 it invested, with savings being made by preventing the need for hospital stays or for tenants to move to care homes.

4.8 A recent study by the University of Bristol for the UK Government’s Office of Disability Issues, “Better outcomes, lower cost” made a strong case for investing in adaptations, highlighting that housing adaptations “save money, sometimes on a massive scale.”

4.9 This is particularly the case when they are an alternative to residential care, or prevent hip fractures or speed hospital discharge; where they relieve the burden of carers or improve the mental health of a whole household. Adaptations not only save the public purse overall, but they also give the recipient dignity, by allowing them to stay in their own home, close to neighbours, friends and their usual infrastructure.

4.10 In light of the evidence (such as that presented in the “Better Outcomes, Lower Cost” report and the Bield, Hanover and Trust study) that adaptations are such a major source of potential savings to health and social care budgets, our sector is gravely concerned about the recent attempts to change the adaptations funding framework for housing associations and co-operatives.

4.11 At the same time as implementing significant cuts to the housing and regeneration budget, in March 2011 the Scottish Government announced the launch of a new £8m adaptations fund. This budget represents a 21% cut in funding compared with the previous year. This announcement was followed closely by an announcement of new funding guidelines for housing association and co-operative adaptations, the day before they were to take effect. In the lobbying that followed, we emphasised that the changes proposed were impractical and that any reform of the system required more careful deliberation. This is particularly the case in the light of the stated objectives of the Scottish Government’s Wider Planning for an Ageing Population work stream and the Christie Commission’s recommendation to put more emphasis on preventative spending measures. The proposed new guidelines have since been withdrawn. However, the real terms cut in funding remains in effect.

4.12 Our sector has been engaged in a consultation with the Government about proposals for adaptations funding arrangements for 2012/13. However, we are disappointed that the consultation started from the premise that the Scottish Government is expecting housing associations and co-operatives to contribute more of their own resources towards the provision of adaptations. It is unfair that housing

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37 Bield, Hanover (Scotland) and Trust (2011), Measuring the Social Return on Investment of Stage 3 Adaptations and Very Sheltered Housing in Scotland, p7. Available at http://www.hsha.org.uk/SiteCollectionDocuments/Measuring_SRI_S3_Adaptations_VSH.pdf (accessed 31st October 2011)
39 Based on unpublished Scottish Government data comparing the out-turn for 2010-11 with the planned budget for 2011-12.
association and co-operative tenants should absorb the cost of adaptations provision, effectively through a surcharge on their rents, when they are already subsidising private sector provision as Council Tax payers. Our sector would welcome a radically reformed and refocused adaptations funding framework, one that is truly person-centred, needs-led and has a tenure neutral basis. We hope that the Scottish Government’s Adaptations Working Group (of which SFHA is a member) will be able to bring forward recommendations about how to deliver a fairer, clearer and more sustainable basis for adaptations funding in future.

4.13 We also wish to record our disappointment that the 2012-13 Draft Budget allocation for adaptations is £6m, a reduction of 25% from the current year.  

Housing for Varying Needs

4.14 Housing associations and co-operatives are required, as part of their grant conditions, to deliver housing which meets Housing for Varying Needs (HfVN) standards of accessibility. Lifetime Homes, as a concept and as a reality, can mean that residents/tenants have a better quality of life and greater independence. It also represents savings to already stressed health and social care budgets. However, it is becoming increasingly difficult to meet these excellent standards in the current investment framework, given the benchmark subsidy of £40k. For existing stock, adaptations are the way forward.

5. Wider Role, Community Regeneration and Financial Inclusion

5.1 The power of preventative spending can also be seen through the community regeneration work that housing associations and co-operatives have been delivering across Scotland over the past decade, with the assistance of the Scottish Government’s Wider Role programme fund. In terms of the overall profile of Scottish Government spending, it is a relatively small fund with a budget of just £6m for 2011/12. In 2010/2011 Wider Role funding (which was budgeted at £10m) directly supported 103 housing associations and co-operatives to take forward 261 projects (a mix of continuation and new projects) across all 32 local authority areas.

5.2 One of the key strengths of the Wider Role programme is that it has enabled housing associations and co-operatives to lever in additional finance from a variety of different sources, including their own reserves, to develop services and infrastructure for some of our most disadvantaged and deprived local communities.

5.3 Housing associations and co-operatives are also important employers in Scotland, providing work for 11,600 full-time staff. Developing housing associations have been particularly important for the construction industry during the current downturn. Over 7,000 affordable homes were started in 2009/10 alone, at a time when private house building has been severely reduced.

5.4 The role of housing associations and co-operatives in employment is wider than this, however. Many of our members take on apprentices, which not only provides employment for young people in the short term, but also makes them more employable in the long term. As part of the wider role of housing associations and co-operative in the communities they serve, many of our members also run employability skills courses and offer support into employment for their tenants, for example by sourcing work placements.

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41 A term used to describe homes which meet, or can easily be adapted to meet, the changing needs of households over time. The Lifetime Homes Standard is a series of sixteen design criteria intended to make homes more easily adaptable for lifetime use. The concept was initially developed in 1991 by the Joseph Rowntree Foundation and Habinteg Housing Association. A dedicated website providing information about Lifetime Homes design, technical specification and policy background can be found at www.lifetimehomes.org.uk.
5.5 Research has shown that addressing poverty and unemployment reduces crime.\textsuperscript{42} Our member organisations are therefore responsible, through such activities, for cost savings to the police and the criminal justice system, as well as for improving the lives of the people who might otherwise have become criminals. Housing regeneration, combined with job creation, stabilises communities\textsuperscript{43} – surely a key element of any preventative spend agenda.

5.6 Based on the latest unpublished Scottish Government data, we understand that for every £1 spent on Wider Role, last year (2010/11) housing associations and co-operatives managed to lever in an additional £2.62. This leverage ratio means that, even from a relatively small pot of funding, it has been possible to deliver significant and much-needed investment into some of the poorest areas of the country. This has delivered a diverse range of projects that have improved the quality of people’s lives via increased employability, financial inclusion, environmental improvements, and improved community health and wellbeing. This scale of leverage is a significant benefit to the taxpayer, particularly at a time when key decision makers in Scotland are facing difficult financial decisions and looking for the “added value” that their spending decisions can deliver.

5.7 Earlier this year, the Scottish Government engaged with a range of community regeneration stakeholders about how regeneration policy and strategy should develop in light of increased need and financial constraints.\textsuperscript{44} We understand that the Scottish Government has yet to determine the future of the Wider Role funding programme. We have been unable to identify this from the Level 4 figures made available to the Committee. We urge the Scottish Parliament to protect Wider Role funding, even in these straitened times, in recognition of the value of the dedicated work of housing associations and co-operatives in their Wider Role activities.

5.8 Housing associations and co-operatives across Scotland work to alleviate poverty amongst their tenant base. They do this partly because it is estimated that 84% of financially excluded people live in social housing,\textsuperscript{45} but also because they can reach those most in need of early intervention and are often the best resourced agencies in deprived areas, being organisationally stable and well-regulated. Preventative spending is at the heart of financial inclusion initiatives. Working with tenants in the midst of a crisis is more time consuming and costly than investing in early intervention. There is also a strong business case for housing associations and co-operatives to invest in financial inclusion activity. As well as reducing rent arrears, costs associated with eviction, tenancy abandonment and voids are reduced.

5.9 Housing associations and co-operatives are involved in the following activities, all of which provide great value and prevent future expense to the state, by stabilising communities, improving health, reducing crime and unemployment, and building better communities:

- IT training
- Literacy and numeracy training
- Tenancy sustainment support
- Benefits advice
- Utilities advice
- Debt advice
- Older people’s advice
- Children’s and youth work
- Equal Opportunities programmes
- Employability training and support
- Work placements and apprenticeships


\textsuperscript{43} Monk et al, as above.


- Healthy eating projects
- Sports and outdoor activity
- Environmental education and projects
- Renewable energy education and projects
- Preserving historic buildings
- Providing community halls and facilities

A good example in this field is a project led by Horizon HA, based in West Lothian. By spending around £110,000 (which included Wider Role funding of £83,000) they were able to refer 35 households to an Early Intervention Tenancy Support Service. All of these households have sustained their tenancy. Tenancy breakdowns can cost up to £83,000, but even at an average of £24,000 the initiative is clearly providing value for money. (figures from How Many, How much? Single Homelessness and the Question of numbers and Cost: CRISIS: 2003)

Another example is the Financial Inclusion Services in Housing (FISH) project in Argyll where a partnership of four RSLs in Argyll and Bute serving over 7,000 tenants across a series of remote, rural and island communities began in 2007 to address three commonly interlinked drivers of poverty amongst tenants: unmanageable debt, low benefit take-up and lack of access to affordable credit.

The four partner associations behind the FISH project are Fyne Homes, Dunbritton HA, West Highland HA and Argyll Community HA.

So far, the FISH project has delivered various outputs including:

- 10,000 Money Advice Handbooks for tenants and prospective tenants;
- 2,000 Money Handbooks for young people delivered through schools;
- Service Level Agreements with 5 Credit Unions across Argyll & Bute;
- a Personal Finance theatre road show for schools;
- a Welfare Rights Service (March 2010 – to present) employing 4 full time Welfare Rights Officers
- a Debt Advice Pilot Project (April 2011 – to present) in partnership with Citizens Advice Bureaux.

In the 18 months since the Argyll project began, welfare rights officers have helped over 1,300 tenants claim welfare benefits/ tax credits and also helped with complex appeals and tribunals. To date, this has generated a staggering £1.9 million in previously unclaimed benefits. There is no slowing up of demand for the service so it is fair to assume that £1.26 million could be claimed year on year. While the majority of tenants accessing the service now refer themselves (word of mouth and press releases have been successful), there is an estimated 35% of tenants picked up through arrears prevention and reduction action. This is set to increase as the UK Government’s welfare reforms are implemented.

Working in partnership enables the tenants of all four locally based housing associations to benefit and through economies of scale represents much better value for money than if they had tackled these projects individually.

The Scottish Government’s Wider Role fund has been instrumental in all of the collaborative FISH projects and over the five years has invested over £250,000. However (and more importantly), it has enabled almost £98,000 of inward investment through match funding and also housing associations themselves contribute in the region of £54,000 of direct costs. The full range of benefits to tenants is immeasurable across the range of debt advice, money advice, credit union support and financial education for young people. The project also estimates that it will have assisted in obtaining around £2m in previously unclaimed welfare benefits.

Wider Role funding has had an important role in enabling the FISH partners to lever in the required match funding to get the project off the ground. Projects like this provide firm evidence of the importance of retaining Wider Role as an RSL-specific fund: housing associations and co-operatives can only continue to deliver their broader community-focused regeneration and empowerment role with the ongoing support of this funding.
Housing Support

5.10 The Supporting People programme was set up to help people live independently with appropriate housing support. In some cases, this means helping people move on to more settled accommodation and become more self-sufficient, whilst in other cases support is much longer term and may be linked to a person’s accommodation in some way. Evaluation studies completed in different parts of the UK have shown that investing in housing support via the Supporting People programme delivered significant savings to other budgets including health, homelessness and residential care. Research carried out in Scotland in 2007 demonstrated benefits of £441m, compared to an overall cost of housing support of £402m, whilst in England the Department for Communities and Local Government reported in 2009 that a spend of £1.61bn on housing support resulted in £3.41bn benefits.

5.11 Housing Support services continue to be funded through local authorities, although the budget has not been ring-fenced since 2008. As we stated in our submission to the Christie Commission earlier this year, we are very concerned that since the removal of the ring fence, local authorities have redirected their diminishing resources away from low-level preventative support towards social care budgets where they have statutory duties to meet. Whilst we recognise this is partly driven by the budgetary pressures they face, local authorities must be encouraged to take a longer term view and see investing in low level, preventative housing support services in terms of “spend to save”, rather than as targets for “easy cuts”. Ensuring upstream services such as housing support are properly funded, even in times of austerity, must be a central part of the preventative spending agenda. This much was noted by the Scottish Parliament during a discussion of its Preventative Spending Report earlier this year.

5.12 The recognition of the role of preventative services that was given in the Christie Commission report was most welcome. However, the reality is that housing support services have been under continual budgetary pressure in recent years. Providers have consequently been feeling the pinch and many of them have found themselves having to provide services that cost more than they receive in revenue, simply to ensure that vulnerable people retain the support they need to live independently in their own homes. This is unsustainable.

5.13 SFHA works closely with the Housing Support Enabling Unit (HSEU), which is funded by Scottish Government to support and assist providers of housing support across Scotland. As part of their remit, the HSEU has conducted a series of annual surveys of registered housing support providers over recent years, with a view to establishing the extent to which local authorities were paying for the full cost of the housing support services they commission and to track funding arrangements after the removal of the ring fence. The last survey that HSEU did in 2009 revealed some concerning trends. The research found that in terms of the volume of service delivered, the majority of providers delivered the same level of service or more in 2009/10. In spite of a tendency for local authorities to direct less funding in real terms towards housing support, most of them had commissioned the same volume of housing support as they had in the preceding year. Consequently, in the HSEU research, providers expressed concern that they were stretching staff resources to the limit to sustain levels of service. The research also found that while support providers were continuing to strive to deliver quality preventative services in the face of funding restrictions, there was very real concern that

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48 SFHA, (March 2011), Response to the Commission on Future Delivery of Public Services’ Call for Evidence. Available at http://www.sfha.co.uk/component/option,com_docman/id,37/gid,932/task,doc_download/ (accessed 2nd September 2011)
51 By registered housing support providers we mean those providers registered at the time with the then Care Commission.
increased pressure on funding in the future would affect service quality and decrease the likelihood of service improvement.\textsuperscript{52}

5.14 Regrettably, due to a cut in its own funding allocation from Scottish Government, HSEU has had to withdraw from doing any further similar survey work for the foreseeable future. We therefore cannot say with confidence whether the situation since the last survey has improved or deteriorated. Our concern is that, if local authorities’ commissioning budgets have been put under further pressure, the situation for housing support providers is most likely to have deteriorated and to continue to do so. This should be a matter of grave concern to all who are focused upon the preventative value of these services.

5.15 Given the savings that stand to be made by investing in housing support, it is vital that housing support services be given increased priority not just by local authorities but by their health and social care partners too. This requires a clear recognition by Government and other partners of the preventative role of housing support. We believe that funding housing support services properly will become increasingly important as the Scottish Government pushes forward with the health and social care integration agenda, and also with the rollout of its Housing Options Hubs programme. Housing support services also have a vital role to play in helping Scottish housing providers meet the 2012 Homelessness target.\textsuperscript{53} Having set such a groundbreaking and ambitious target in 2003, the Scottish Parliament must do all it can to ensure this target is met. With so many housing associations and Third Sector agencies providing excellent preventative housing support services that help deliver upon government objectives, we believe strongly that the Parliament must ensure that a greater allocation of funding is made available for vital housing support services in this and future years.

6. **Summary of Key Points**

6.1 In this submission, we have outlined strong evidence that housing has a real economic benefit, creates jobs, as well as multiple social benefits that prevent costlier crisis interventions. The activities of housing associations and co-operatives increase community wellbeing, improve public health, provide a sound basis for educational achievement and reduce poverty and social injustice. All of this assists the Scottish Government in meeting important strategic policy targets such as the 2012 Homelessness target and the 2016 Fuel Poverty target.

6.2 There has been much discussion about innovative approaches to funding housing. SFHA urges the Scottish Government to recognise the significance that moving from a “more for less” agenda to a “spend to save” approach would have for the Scottish economy. We urge the Infrastructure and Capital Investment Committee to recognise the full social and economic value that is derived by funding preventative services which keep Scotland’s most vulnerable people safe from harm. Funding preventative services adequately also ensures that core service budgets such as health, social care and justice are not put under unnecessary additional pressure, especially at a time of fiscal challenge.

6.3 Affordable housing needs to be seen in its own right in terms of preventative spending. Investing now in affordable housing, housing support, community regeneration and energy efficiency can save money in other budgets such as health, social care, education, justice and climate change. This would be not only a much needed shot in the arm of economic recovery for Scotland, but it would also cement the Scottish Parliament’s determination to tackle the entrenched issues of poverty, ill health and deprivation that so consistently drain the Scottish treasury.

6.4 We urge the Committee to recognise the error of cutting capital investment in times of financial constraint. Investing in new build genuinely affordable housing is one of the most effective ways to


\textsuperscript{53} The 2012 Homelessness Target states that by 2012 priority need would be abolished and all unintentionally homeless people would have the right to settled accommodation.
secure jobs and training and to stimulate the economy. We urge the Scottish Government to redress the cuts of 2011-12 and commit to a continued and viable programme of housing investment.

6.5 We also urge the Committee to acknowledge that the UK Government's welfare reform agenda threatens the security of our sector’s rental income and is set to compromise the ability of Scottish housing associations and co-operatives to safeguard the continued provision of warm affordable housing.

6.6 Without serious investment in genuinely affordable housing and related support services, our poorest communities will be left exposed to the risk of further decline. This will have a cost to the nation that is more than just financial — in terms of the social cost (health, wellbeing, cohesion) and the moral cost (a society is judged by how it treats its most vulnerable and poorest members). The Scottish Parliament must act now to set the parameters of Scotland’s economic recovery in terms of rebuilding communities, rebuilding lives and rebuilding Scotland’s future.

ANNEX: JOINT STATEMENT BY SFHA, SCOTTISH BUILDING FEDERATION AND GLASGOW AND WEST OF SCOTLAND FORUM JULY 2011

Making Housing A National Priority

The time is right to invest in affordable rented housing developed by housing associations and co-operatives. There are three principal reasons to invest now:

- **To support economic recovery, growth and jobs**
- **To meet housing need, which is reaching crisis levels in Scotland**
- **To improve equality of opportunity and achieve wider social benefits, helping to regenerate Scotland's poorer communities**

Supporting economic recovery, growth and jobs

Housebuilding is a labour intensive industry — 40% more so than manufacturing and 75% more than business services and finance, for example. According to research for the Scottish Government last year, investing in affordable housing is an effective way to boost jobs and stimulate the economy. Furthermore, housing association new build makes an extremely important contribution to employment and output in the construction sector. As a proportion of total new build completions in Scotland, the quantity of new build homes completed by Scotland’s housing associations has almost doubled from 16% in 2006 to 31% in 2010. So in a period when far fewer houses have been built in Scotland overall across all the tenures, housing association and co-operative contracts have helped to sustain the construction industry as private housebuilding levels have collapsed. Investment in affordable housing also supports high quality apprenticeship opportunities in the construction sector - between April and December 2010, 32% of all Modern Apprentices that successfully completed their training in Scotland did so in construction or one of the associated trades (e.g. plumbing, electrical, etc.).

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54 Genuinely affordable to low income households
Housing associations and co-operatives are well established as the principal providers of social rented housing and other forms of affordable housing. They are well placed to do so in future, because of their capacity to lever in substantial levels of private finance to boost public investment. Housing associations and co-operatives have a major role to play in reducing fuel poverty and combating climate change. They have the most energy efficient housing in Scotland\textsuperscript{59} and are well placed to lead on energy efficiency improvements and generation of renewables, cutting fuel poverty, creating jobs and training opportunities.

**Meeting housing need**

Housing need is reaching crisis levels - there are currently almost 200,000 households on council housing lists across the country\textsuperscript{60} and almost 335,000 on housing association lists.\textsuperscript{61} With the effects of recession and with first time buyers having difficulty accessing mortgages\textsuperscript{62} to purchase housing, the need for quality affordable housing for rent has never been greater. The looming Scottish Government 2012 homelessness target to find all homeless applicants settled accommodation brings this need into even sharper focus.

**Wider social benefits of investing in housing**

Investing in affordable rented housing targeted at those on low incomes helps reduce social inequality and has wider benefits for health and education. There are clear relationships between poor housing conditions and poor health, whereas improvements to housing environments (internal and external) can lead to improvements in physical health conditions, mental health and well-being. Both overcrowding and homelessness have a particularly negative impact on children’s educational performance, as well as on their physical and psychological health and thus their life chances.\textsuperscript{63} Investing in quality affordable rented housing that is well managed provides wider social and economic benefits and serves the spend-to-save agenda.

Housing associations and co-operatives also play a unique role in community regeneration. Some 75\% of associations and cooperatives are involved in wider regeneration activities, delivering employment training, increasing financial inclusion and improving community health and well being. For every £1 invested by the Scottish Government in 2010/11, housing associations and co-operatives leveraged in an additional £2.62.\textsuperscript{64}

**Investing in Affordable Rented Housing – Housing Associations and Cooperatives**

Housing associations and co-operatives can create jobs, meet housing need and improve social equality with the right level of public investment. The Scottish Government has set a target of building 6,000 social rented houses per year and associations and co-operatives have the skills and resources to help them achieve this. This will require a significantly better level of investment in affordable housing, sustainable grant levels and a long term investment framework.


\textsuperscript{61} Statistics supplied to SFHA by the Scottish Housing Regulator (5 July 2011) based on data in the 2009-10 Annual Performance and Statistical Return


Affordable housing was one of the biggest losers in the 2011-12 Budget. Reported as a drop of 19.4%, in reality it is over 30% when the level of investment in 2010-11 is taken into account. The main channel of new funding available to housing associations and co-operatives this year is £20 million through the Innovation and Investment Fund, with a benchmark grant level of £40,000 per unit. This is not a sustainable level of funding: almost three quarters of members who bid this year, tell the SFHA they could not afford to bid again in future.

Future subsidy benchmarks must reflect the costs of providing affordable social rented housing and the long term value that this provides. Otherwise, we will see a long term shift in housing investment with ever higher levels of mid market rent and shared equity housing. Whilst there is a market for these in some locations, their provision must not be at the expense of much needed low cost rented housing for those in greatest need.

Investing in affordable housing both stimulates the economy and provides the benefits of preventative spending for health and education. The additional borrowing powers available through the Scotland Bill present an opportunity to provide long term investment at a sustainable level. We call on the Scottish Government to use these powers to make housing a national priority and invest in affordable rented housing by housing associations and co-operatives.

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