Local Government and Communities Committee

Scrutiny of the Draft Budget 2017-18

Submission from Renfrewshire Council

Introduction

Renfrewshire Council’s Labour Administration welcomes the opportunity to provide the Local Government and Communities Committee with evidence to support the scrutiny of the Scottish Government Draft budget for 2017/18.

The invitation from the Committee to interested parties has posed a number of specific questions, both looking back over the period since spending reductions commenced and looking forward in terms of the further financial challenges that are anticipated to be faced in future years. The following response has addressed each of these specific questions in turn but firstly has outlined a range of significantly important issues in relation to the Government’s approach to deployment of the funding within public services and specifically within local government which the Committee should pay due regard to in scrutinising the Government’s plans not just for 2017/18, but indeed beyond over the period of the next spending review. These issues are long standing and fundamental in nature and counter act the ability of public agencies, in particular, local government to address ingrained poverty and inequality which unfortunately pervades life of too many of our citizens across Scotland.

Despite Renfrewshire Council delivering innovative service change, leading effective partnership working with Community Planning Partners and making inventive and maximum use of the limited resources at its disposal, the funding inequality that exists across Scotland and limitations that are inherent within the Government’s approach to deploying and distributing public funds, is a significantly limiting factor and inhibitor to achieving step changes and progress to deliver key service outcomes.

Indeed, the current arrangements are a key factor which directly contribute to levels of unmet need in Renfrewshire and places the Council in a position where it has limited and indeed insufficient financial resources and powers available to most effectively tackle and sustainably address long standing social and economic inequality which exists, particularly in pockets of some of the most acutely deprived communities across Scotland. The continued focus of the Scottish Government's budget intentions will only further marginalise the financial resources available to local authorities and the ability of councils in their unique position to deliver real and sustainable change to address poverty and inequality.

Renfrewshire Council will continue to be one of the most innovative public bodies across Scotland, working hard to ensure that every pound of public sector resource within Renfrewshire (resources both directly controlled by the Council and through working with a range of partner agencies) goes as far as possible to maximise opportunities to meet the needs of the Renfrewshire community. The Council is focused on delivering sustained solutions to deprivation and inequality rather than
directing more and more resources to deal with the related negative outcomes for our communities. Solutions which don't just focus on services supporting prevention and earlier intervention but also sustainable economic solutions which will provide communities and citizens with increased equality of aspiration and opportunity and provide routes to help move themselves and their families out of poverty.

We would urge the Committee to recognise that local government has been and based on the Government’s stated intentions will continue to be financially squeezed to such an extent the ability to support the delivery of key outcomes will be significantly constrained. Further, Renfrewshire Council does not receive a fair share of Scottish Government resources to allow it to address some of the most acute socio-economic problems and inequalities in the country. We would urge the Committee to call upon the Scottish Government to act swiftly, decisively and on a scale which will make available sufficient resources to areas like Renfrewshire to deliver solution focused policy interventions at a significant financial scale which will allow stepped change progress to be achieved in sustainably and fundamentally addressing the impact of severe deprivation and inequality across our society.

**Underfunding of Renfrewshire Council**

We acknowledge the challenges that have been faced as a consequence of reducing resources available to Scotland as a result of the UK government’s austerity programme. However, we are firmly of the opinion that over this period, the Scottish Government’s management of the Scottish budget has resulted in the people of Renfrewshire suffering more funding inequality than any other mainland area in Scotland through the level of grant received by the Council and the level of reductions it has faced in comparison to other local authorities.

Renfrewshire Council’s revenue grant reduced by over 17% in real terms in comparison to the 10% real terms reduction experienced by the Scottish Government demonstrating the disproportionately higher cuts that have been shouldered by local government budget over this period.

As detailed in the table below, Renfrewshire Council is the only mainland local authority to have been on the grant floor every single year between 2009/10-14/15, confirming that over this period the Council has received either the lowest increase or highest decrease in each of the relevant financial years. This Council lifted marginally off the floor in 2015/16 before returning once again to the grant floor in 2016/17.
Even in periods of growth, Renfrewshire has suffered grant reductions which has placed even greater pressures on services delivered to some of the most deprived communities across Scotland. It appears perverse and acutely unfair that the Scottish Government have chosen to continue to cut grant resources to council areas like Renfrewshire whilst at the same time providing grant increases to other, in many cases, much more affluent areas across the country. Recognising the particularly difficult challenges faced by councils such as Renfrewshire it has been disappointing that during a period of time widely recognised as being the most financially challenging in the post war era for the public sector, that the Scottish Government has not acted to more equitably share the pain of required grant reductions across the country. The table below summarises the level of grant change at a Renfrewshire level and the average at an all Scotland level over the period 2009/10 – 14/15, demonstrating the level of disparity suffered by the Council.

**Summary of Grant Movement Each Year**

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<tr>
<td>Scottish Average</td>
<td>5%</td>
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<td>(2.4%)</td>
<td>0.3%</td>
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<td>Renfrewshire</td>
<td>2.8%</td>
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**Share of overall Government Grant**

In addition to Renfrewshire Council’s year on year grant movement being amongst the worst across all authorities in the country, the Council’s relative absolute grant levels also compares poorly. Renfrewshire achieved a 3.17% share of the overall 2016/17 revenue grant resources (based on Finance Circular 1/2016) which is less than the Council’s straight population share across Scotland of 3.25%, effectively a 2.4% deficit in grant share which is equivalent to a loss in grant to Renfrewshire of £7m.

Although the Council is not advocating a per capita approach to the distribution of resources (it is recognised that this should be based the best measure of need) this implies that the needs of the Renfrewshire population are less than the average across Scotland, a suggestion that is difficult to align with wider available datasets on...
Limited Influence of Deprivation

The current system of local government funding in Scotland implemented by the Scottish Government does not support the delivery of better outcomes, and in order to deliver better outcomes across the public sector a more holistic means of funding public services should be considered.

The Scottish Government grant makes up over 80% of the Council's funding, a picture broadly mirrored in all local authorities across the country. The methodology used by the Scottish Government to determine the level of grant provided to each local authority is largely formula-driven through the Grant Aided Expenditure (GAE) System.

The GAE distribution system is principally historic in nature, designed a number of decades ago and largely input based. Our view is that this system is flawed, in particular in the current environment where resources are shrinking and there is a widely recognised need to increasingly focus public services on the delivery of key priority outcomes, in particular tackling deprivation and inequality in our society. The current distribution system represents a fundamental disconnect between the largely historic input based approach to resource allocation and the outcome expectations for our public services.

It should be noted that this is not a new perspective and indeed was the conclusions drawn by the Independent Budget Review Panel which reported in June 2010 and expressed a need to move towards a more outcomes-based approach to public service management.

The significant financial consequences for Renfrewshire as a result of the deficiencies in the current resource allocation system are reflective of the lack of recognition and very limited influence that is given to deprivation, inequality and their impact on levels of need and demand for services in those areas of the country most affected.

By way of illustration, education accounts for over half of the Grant Aided Expenditure (GAE) distribution process which underpins the distribution of the majority of the Government’s revenue grant, yet only around 5% of the value of the education related GAE lines are distributed on a basis which has a deprivation factor included. As a result a school pupil in from Lower Whitecraigs and South Giffnock in East Renfrewshire– the most affluent datazone in Scotland attracts the same level of grant funding as a school pupil 8 miles away in Ferguslie Park in Renfrewshire the most deprived datazone in Scotland – the implicit assumption of this approach to resource allocation being that it requires the same level of funding to provide a similar level of service – this is purely an input perspective and consequently there is no recognition of the level of need of each child or any recognition of the much

deprivation, unemployment etc. A similar position is prevalent in the distribution of general capital grant where Renfrewshire in effect receives almost £7m less than its straight population share. On a combined basis this represents a perceived loss of grant to the Renfrewshire population of almost £14 million across both revenue and capital grant.
higher investment required to support children and families from much poorer communities to aspire more, achieve better outcomes and close the gap in attainment when compared to children from affluent neighbourhoods. The funding currently set aside by the Government through the attainment fund arrangements recognise this need, but relative to the £4.3bn of grant distributed through the distribution process is a mere drop in the ocean.

Indeed, in Renfrewshire it has been recognised that in order to support those from the poorest backgrounds to succeed more successfully in school and to close the educational attainment gap, requires not just additional in school support but support to the whole family through a wide range of supporting interventions. The current funding approach far from helping to direct resources to assist in closing the inequality gap for children across Scotland, merely places councils, even the most innovative and high performing ones such as Renfrewshire, in a position which makes it more financially difficult to avoid inequality in educational attainment perpetuating for the most excluded children in our society.

Across the revenue grant distribution process, only Social Work has any material recognition of deprivation factors and even here, the influence is limited with population derived statistics having the over-riding influence. Despite the major spend areas in local government being education, social work and economic regeneration and the widely accepted influence/inter-relationship between the need and cost for these services and deprivation levels, deprivation factors have a very marginal influence on the distribution of resources.

This position is anomalous and contrasts starkly with reality and the level of need that exists within Renfrewshire linked in particular to high levels of deprivation. This high level of demand for services is also heightened in pockets of the most severe deprivation, for example Ferguslie Park which is the most deprived SIMD datazone in Scotland.

Comparison to other PeerAuthorities

In addition, when comparing the revenue grant position to other similarly deprived authorities, Renfrewshire Council remains comparably worse off by a considerable margin. As detailed in the table below, other authorities with similarly deprived characteristics and similar level of need across their populations, receive a proportionately higher share of the revenue grant resources than their straight population share would provide. In a Renfrewshire context, the notional grant value associated with the difference between Renfrewshire’s position and that of Dundee, a very similar peer authority in many respects, is worth over £25 million in annual revenue resources.
Understanding why this is the case is difficult given the complexity of the funding distribution process that has been developed over many years. However, what is clear is that the process is failing Renfrewshire citizens. There is little to suggest why Renfrewshire’s share of the Scottish government revenue grant is being effectively discounted over 2% for each resident when Dundee Council is receiving an uplift of over 8% for each resident’s share of the grant.

**Tackling the Negative Outcomes of Deprivation and Inequality**

As outlined earlier it is anticipated that further reductions in public sector expenditure are set to continue, potentially into the next decade.

At a local level Community Planning partners and partnerships need to look at how they can shift their current resource allocation and resource deployment towards prevention and early intervention to address deprivation related problems much earlier but also importantly to support investment which creates economic activity, employment and prosperity to provide families with genuine opportunities and routes out of deprivation and allow them to begin take control of their own lives. As outlined more fully below we at Renfrewshire are fully committed to such principles.

However, the Scottish Government is also a partner in community planning, and current processes for the distribution of grant funding to councils has limited recognition of those councils suffering most from deprivation and inequality and in greatest need to invest in prevention and early intervention services as well as economic intervention in local and regional economies. The current distribution of funding is disproportionately based on population scale, demography and, to a much lesser extent, past service use and expenditure.

Delivering a significant shift in resources to support economic growth, prevention and earlier intervention is challenging given declining budgets and growing demand on reactive services. Renfrewshire Council is at the forefront of developing a wide range of demand mitigation strategies which are intended to intervene earlier and support prevention, investing in a holistic programme to tackle poverty and ultimately have the ambition to reverse the long term unsustainable growth in reactive services. In addition, as an Administration we have worked hard to direct ever declining and limited resources to support local economic growth and employment opportunities (particularly in respect to youth unemployment) and working closely with a range of regional council partners to develop and deliver large scale City Deal investment.
programmes. This whole programme of interventions are focused on tackling the impacts and cause of poverty and inequality, tackling problems earlier and recognising the need for service design that tackles issues from a holistic rather than reactive service driven perspective and creating economic growth, greater equality in access to new jobs and prosperity for the area.

The combination of an underlying poor level of overall resources available to the Council and increasingly challenging deprivation and inequality impacts leaves the Council unable to deliver a stepped change shift in resources to these key strategic policy interventions and prospects of making any significant, long term sustainable change in the future becomes an increasingly difficult prospect as resources are further reduced whilst at the same time squeezed by demand growth on reactive services.

Councils such as Renfrewshire with the greatest need to make a major shift to prevention and economic intervention are those with the least ability to do so because of increasing demand pressure on reactive services and an inequality in its underlying funding position. Resolving this long standing situation and directing resources to support the most deprived areas across Scotland that are in the greatest need should be a key priority for the Scottish Government in considering their 2017/18 budget and beyond.

There is a need for a general review of the distribution process, albeit that should be a medium term objective recognising that:

- Firstly, past experience indicates that any such review would take significant time and effort and the understandable desire to maintain funding stability is strong and thereby any major change in underlying distribution processes would in all likelihood be phased in over a medium term period.

- Secondly, addressing the negative outcomes of deprivation and inequality and the unsustainable impact it is having on demand led services is reaching a tipping point – the need to act, to act decisively and on a significant scale is acute and requires a form of fundamental intervention to support major transformation

It is recognised that the Scottish Government has made some moves over the years in terms of these principles through establishing ‘change funds’ and most recently funds to support closing the attainment gap. However, the resources involved are at the margins in represent only tinkering when considered in the context of total resource and although welcomed will not facilitate the level of transformational change that is required.

Moving into 2017/18, the Scottish Government will begin to assume an unprecedented level of fiscal autonomy and will have at its disposal a wide range of fiscal levers to support meeting the needs of Scotland and the level of public services that are required. There is a pressing need more than ever for the Scottish Government to act far more decisively than it has in the past by positively directing a material element of its budgets moving forward, 3% would be a realistic starting point, to support the most deprived regions in Scotland. In this new era of devolved
freedom, the Scottish Government should explore fully the new found fiscal flexibilities could support such a change.

At the same time, there should be a move to fundamentally review the underlying principles and approach of the local government grant distribution system. This review should seek to address the fundamental flaws inherent the current system and over the medium term seek to deliver a more equitable process which better recognises the level of need across the country.

Response to Specific Questions Posed by the Committee

As part of the UK-wide squeeze on public sector budgets, the Scottish Local Government budget has fallen significantly in real terms in recent years. Since its peak in 2009-10, total like for like local government funding from the Scottish Government has fallen by around 10% in real terms. See the SPICe Briefing on historic local government finance for more information and context. Local authorities have therefore been making savings for many years. The future shape of the local government settlement is unclear, but local authorities are preparing for further real terms reductions in their resources.

Question 1: We want to hear your views on the impact of budget reductions to date on local services, etc

In responding to this point it is important to recognise that the headline reductions in grant from the Scottish Government significantly underplays the scale of underlying cut to services since 2010/11.

Over that period, the Scottish Government has passed a range of new responsibilities to local government – these have been wide ranging and include for example new responsibilities linked to the Children and Young People Act, establishment of the Council Tax reduction scheme and Scottish Welfare Fund. Broadly speaking, new burden funding accompanies such additional responsibilities and has over the years been added to the local government settlement. Equally, over this time period responsibilities have been removed from local government, most notably Police and Fire. In order to transparently identify the true scale of reduction in the grant position such changes require to be appropriately adjusted for in order to track the underlying cut in grant over the period.

In addition, over this period, included within the grant settlement has been an annual amount – which has been increased by £70 million each year - provided to councils to compensate for the delivery of an ongoing freeze in the council tax – given this grant was the provision of funding to compensate for loss of income from council tax, it is again appropriate to strip out funding from the year on year analysis to remove any distortion the growth in this compensatory grant would have – its inclusion would result in the underlying cut in funding being artificially reduced.

Taking account of these adjustments, between 2010/11 and 2015/16, Renfrewshire Council’s revenue grant reduced by over 17% in real terms in comparison to the 10% real terms reduction experienced by the Scottish Government demonstrating the disproportionately higher cuts that have been shouldered by local government
budget over this period. In addition, these figures do not include the 5% real terms cut imposed by the Scottish Government in 2016/17, which represented the biggest ever single year cut to the local government budget.

Further, and notwithstanding the significant scale of cut in funding that has been made by the Scottish Government since 2010 to local government funding, councils have also been required to meet significant growth from cost pressures year on year– such pressures arise from a wide variety of sources including demographic and socio-economic changes, in particular the impact of an aging population, changes in UK government national policy such as state pension arrangements and welfare reform which have added tens of millions of pounds of additional costs to the council’s cost base, inflationary pressures on pay and in particular on specific commodities such as utilities and fuel etc. In a climate of reducing resources addressing such cost growth can only be managed through the delivery savings or key cost and demand mitigation measures. Indeed, since 2010, around two thirds of the savings and mitigations measures implemented by the Council have been delivered by the Council to manage the impact of cost and demand pressures, with the residual third required to deal with the reduction in government grant resources.

In summary, the scale of reduction in resources faced by councils is more significant than the SPICe paper may suggest and indeed only represents the minority element of the overall financial challenge faced by local authorities – coupled to a shrinking resource base cost and demand growth at the same time has contributed almost twice as much budget pressure over this period and it is important that the Committee understands this in order that the scale of challenge faced by councils to maintain the delivery of priority services can be truly appreciated.

As an administration, we have worked hard to manage this major financial challenge in a sustainable and responsible manner, driving modernisation and innovation in service delivery to secure efficiencies and mitigate cost growth, whilst making tough choices to release resources from lower priority services to direct investment in key priority areas and outcomes. However, it is clear that the ability to maintain change, innovation, efficiencies, change and redirection of an ever reducing resource base is rapidly reaching a tipping point and if a further period of significant reduction in resources is applied by the Scottish government it is inevitable that negative impacts on the delivery of services will increase, and increasingly the risk of negative impacts on key priority services, will become an increasing reality.

The recent report released by the Fraser of Allander institute, provides the Committee with an independent assessment of the fiscal challenges being faced by the Scottish Government moving forward, but importantly also the anticipated scale of cuts which the local government budget is likely to face if the Government blindly pushes ahead with existing spending commitments in the face of a changing fiscal environment post the Brexit vote. The Government are beginning to treat the local government portfolio as the “balancing figure” in their budget and they do so at their peril as they will fail to grasp the inevitable impact this will have on local services.

It is imperative therefore that the Committee calls on and hold the Government to account for the inevitable and damaging impact a further significant cut to local government resources will have to the delivery of local services. In addition, the Committee must call on the Scottish Government to free the local government
finance settlement from the use of conditions tied to financial penalties which in
effect due to their scale in recent years have merely as a centralised control
mechanism. Local authorities need to be free to manage resources and services
locally as they see fit and as being in the best interest of their own communities to
which they are locally accountable.

As part of a long running project looking at the impact of local government budget
reductions across the UK, the Joseph Rowntree Foundation and Glasgow University
have developed a 'social impact tool'. This tool allows councils to examine their
budget choices and look at whether their savings are weighted more on those
services that are "pro-rich" or "pro-poor".

Question 2: We want to hear your views on the extent to which local authority
spending decisions prioritise funding for policies that are likely to reduce
inequalities.

Renfrewshire Council was one of the case study authorities which participated in the
Joseph Rowntree study and which culminated in the report in March 2015 “cost of
the cuts: their impact on local government and poorer communities”. Attached as an
appendix to this response is a report considered by the Council in March 2015 and
which summarises a number of the key messages from the report and which echo a
number of the points made in this response, particularly around the lack of resources
distributed in Scotland to tackle deprivation and associated inequality. As was
recognised by the Joseph Rowntree work, we have worked hard to release
resources to invest in prevention and early intervention programme, our leading
tackling poverty programme, significant employability programmes etc at the same
time as tackling wider cost pressures and a shrinking resource base in a way which
protected pro-poor services – a pattern which was in contrast to previous
administration where savings were more heavily focused on pro-poor services.
Equally, it was recognised by the Joseph Rowntree report, that such good work by
the Council was achieved through its own efforts to secure resources with only very
limited efforts made at the margins by the Scottish Government to support
prevention, change and tackling poverty and deprivation.

A number of the key recommendation from that report present pertinent issues
which the Committee should carefully consider when scrutinising the Scottish
Government budget and holding them to account

- It is necessary to slow the pace of the cuts if local government and its partners
  are to have sufficient time or ‘headroom’ to devise appropriate, strategic
  responses with the best chance of being effective over the long term.

- It is necessary to avoid over burdening the more deprived authorities through the
  impact of the resource distribution system. As council resources and services
  become increasingly focused on poorer groups, it is increasingly urgent for there
to be a national conversation about the principle underpinning the distribution of resources. Under the existing arrangements, councils with the highest level of disadvantage, have even less room to manoeuvre in terms of protecting the poor than other councils. In addition, there is a need for a major change in the nature and level of support from central government for investment or preventative activities.

- Investment strategies need to focus on how all citizens can benefit from economic growth and job creation in their areas if the level of demand on local services is to be reduced by this means. The drive to generate financial savings should not be allowed to undermine the development of local economic strategies which also support people into employment and improve job retention and progression from low-paid work.

- There is a lack of capacity and capability within more deprived communities to effectively meet the expectations around the ‘civic responsibility’ agenda and expectations in this respect need to be managed.

It is recognised therefore, that despite our best efforts, councils are being restricted and indeed hampered by the Scottish government’s approach to managing Scotland’s public finances. The need to deliver strategic, step change and sustainable interventions to address poverty, deprivation and inequality will only be achievable at scale through more radical action on the part of the Scottish Government, coupled with a recognition of the unique placing local authorities hold to drive both local and strategic solutions with key partners to deliver what is required at the local level.

The Accounts Commission reported that unallocated General Fund Reserves rose 18.5% during 2014/15. The Accounts Commission reported that there is wide variation in the level of reserves that councils hold and the levels of unallocated General Funds but noted that “finance directors tell us that they are being careful to save whenever opportunities arise, in anticipation of further funding reductions.” This reflects commentary elsewhere that (such as from the LGiU policy briefing “Financial Outlook for Scottish Councils”) that job losses may be being offset through the use of one-off savings and using General Fund Balances in order to protect local services and jobs in the short term.

**Question 3:** We therefore invite written evidence on how General Fund Balances are used by local authorities and in particular the extent to which the General Fund Reserves are being used being used to offset savings in the short to medium term.

As outlined earlier the Labour Administration has managed addressing the significant financial challenge to date in a sustainable and responsible manner and in a way which protects as far as possible the delivery of services to local communities.
Active use is made of General Fund balances to support the Council’s financial planning arrangements to deliver change, investment and modernisation in services as well as supporting meeting medium to longer term spending commitments. The Council has implemented a number medium term financial planning strategies which have utilised reserves to support the release and delivery of savings over the medium term as part of medium term financial planning arrangements. Such approaches have been implemented to protect service delivery over the medium term and mitigate the risk of being required to make unnecessary cuts to services over the short term. It is recognised that such approaches will over the longer term rely on an eventual return to growth in resources in order to maintain longer term financial sustainability.

Notwithstanding such approaches, we continue to try and maintain unallocated General Fund Reserves at the minimum level recommended by the Director of Finance and Resources and it is recognised that depletion of unallocated reserves to support short term budget strategies is not a sustainable position.

Finally, the Scottish Government has committed to consult on and introduce, in future, a Bill “that will decentralise local authority functions, budget and democratic oversight to local communities”. The Committee noted that the Finance Committee reported in its report on the draft budget 2016-17, that different figures for the revenue settlement to local government were arrived at in terms of the reduction in funding for Local authorities. These differing figures depended upon whether the comparisons were made between combined revenue and general resource grant (GRG) (5.2% reduction) or cash reductions compared with estimated total expenditure (2% reduction).

Other funding such as whether the £250 million provided for health and social care integration (which was provided via health authorities) should also be considered as local government funding has also been highlighted.

**Question 4: What are your views on the range of local authority activities that should be considered ‘local Government budget’ as compared with funding that is provided elsewhere but which may support local government activities and outcomes?**

Irrespective of how the Scottish Government chooses to construct its own budget, the most important factor is the scale of funding made available. As detailed above, the scale of cuts imposed by the Scottish Government are pushing local authority delivered services and outcomes to a tipping point, where long lasting damage through failure to meet the needs of our communities will become an increasing feature across Scotland.

Notwithstanding this position, funding intended to support the delivery of services or outcomes delivered by councils should be held within the local government budget. The degree of confusion, uncertainty and disruption to financial and strategic planning arrangements caused by the Government’s treatment of £250 million set
aside to support adult social care – which was ultimately channelled through NHS budgets – was an excellent case and point.

Additionally, there needs to be an end to the Scottish Government seeking to exercise centralised control of local authorities through the application of specific conditions linked to grant settlements. This erodes local decision making, democratic accountability and flexibility to manage resources, services and delivery of outcomes to meet local needs and indeed may force spending decisions which may not best meet the local needs.

**Question 5: In particular we want to hear your views on:**

How well the centrally managed funding programmes are managed, what outcomes they deliver and do they represent value for money? To what extent are the innovative funding packages leading to a change in the way affordable housing is being delivered? (information on innovative financing is available on the Scottish Government website at this link. The extent to which the centrally managed funds support development of the appropriate mix of affordable housing to meet housing needs (such as mid-market rent as compared with social rent or private rent))? 

There is considerable variation across Scotland in housing market conditions and the applicability of centrally managed programmes will vary. Mid-Market Rent homes offer an additional tenure option for people who are unable to access market housing but can pay above social rents. Early indications in Renfrewshire suggest that MMR homes provided by housing associations can make a valuable contribution to the overall mix of tenure options, but the model generally has less applicability in areas where private sector rents are lower.

There has been no evaluation of the Help to Buy scheme in Scotland and perhaps some of the questions raised about the UK Government’s scheme (about targeting and the extent to which the scheme helps people to buy bigger or more expensive properties rather than enabling them to buy a first home) are relevant in Scotland. There is insufficient information available at the moment to comment on the impact of innovative funding packages.

**Question 6: To what extent do the Resource Planning Assumption and the Strategic Local Planning Agreements processes effectively enable local housing needs to be prioritised and resourced?**

The Strategic Housing Investment Plan (SHIP) process, supported by 3-year RPAs and Strategic Local Planning Agreements, provides an effective framework within which councils can priorities and bring forward affordable housing developments with housing association partners in line with locally agreed strategic priorities.

**Question 7: We seek written responses on whether the increased subsidy levels will support new housing developments; and in particular whether the flexibility in subsidies will improve the provision of housing for older people or for people with particular needs.**
The restoration of higher rates of grant subsidy for affordable housing, along with greater flexibility for higher cost projects, has made it possible to take forward projects which were not considered viable after the 2011/12 changes were introduced. This is very positive.

However, the grant benchmark for councils is well below the benchmark for housing associations - £57,000 and £70,000 respectively. This should be addressed and there should be greater parity in subsidy levels across the social rented sector. Many councils have large historic debt burdens which constrain their capacity for investment in newbuild programmes. These issues have particular significance in relation to aspects of local newbuild programmes which involve regeneration through the replacement of existing obsolete housing rather than net addition to the existing stock of housing, given the additional costs associated with acquisition, demolition and loss of rental income.

Housing association shared equity schemes have been very successful in delivering low cost home ownership as part of mixed tenure developments. However, grant benchmarks for shared equity were not increased in 2016 and the 2014 guidance (£40,000) makes it difficult to deliver shared equity.

**Question 8: Do you have any other comments to make about the outcomes the Scottish Government seeks from its Housing Supply Budget and how it delivers those outcomes?**

Major changes to the grant framework for affordable housing were implemented in 2011 involving lower grant benchmarks and a challenge-fund approach for councils and housing associations.

While recent increases in local grant programmes and 3-year RPAs are very positive, they follow a period of very sharp cuts in investment in new affordable housing since 2011. Renfrewshire’s Resource Planning Assumption for the current year 2016/17 (£11.5m) is still below the level it was in 2008/09 (£12.5m) and 2009/10 (£14.6m).

While there has been incremental improvement over the last couple of years, a period of stability is needed along with increased funding levels to restore longer term planning arrangements and rebuild capacity in the sector.