Local Government and Communities Committee
Scrutiny of the Draft Budget 2017-18
Submission from the Chartered Institute of Housing Scotland

About CIH

The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple – to provide housing professionals with the advice, support and knowledge they need to be brilliant. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse membership of people who work in both the public and private sectors, in 20 countries on five continents across the world including over 2,000 in Scotland.

Further information is available at: www.cih.org

1. General comments

1.1 CIH Scotland welcomes the opportunity to respond to the Committee’s call for evidence on local authority spending and the budget for 2017/18. Local authorities play a key role in the provision of housing as landlords, as strategic planning authorities and through provision of homelessness services and supporting people to live in their communities.

1.2 Housing plays a central role in almost every aspect of the Scottish Government’s national objectives and its vision for a fairer Scotland. Recent work such as the Commission on Housing and Wellbeing\(^1\) has evidenced the positive impact that good housing can have on physical and mental health, educational attainment and employment opportunities. Ensuring adequate funding is available for housing and housing services is essential in meeting a wide range of objectives.

1.3 We understand that the Scottish Government budget position remains challenging and that there will be competing demands for funding in the coming years. However, cuts to local authority budgets risk reductions in vital services which could result in more costly interventions and have a negative impact on other service areas including the health service and criminal justice agencies.

1.4 It is worth highlighting here the importance of ensuring adequate funding for Scotland’s new social security system, without which the housing sector would not function for households on low incomes. CIH Scotland has submitted a response to the Scottish Government’s consultation, A New Future for Social Security, outlining concerns and priorities for spend as the new system for Scotland is designed.

\(^1\) [http://www.housingandwellbeing.org/](http://www.housingandwellbeing.org/)
1.5 Uncertainty created by external factors such as welfare reform and the UK’s possible withdrawal from the EU make it difficult for local authorities to plan for future needs and demands for the services they provide. We understand that there is a limit to what the Scottish Government can do about these issues but our members have told us that a move towards more long term budgeting would certainly help. Local authorities are currently in a position where they will not find out their budget for next year until December. This limits time for planning and commissioning vital services for the year ahead.

1.6 In this submission, we focus on the funding requirements for the delivery of new affordable homes, the provision of essential services to meet statutory homelessness duties and to increase quality in the private rented sector.

1.7 We recommend that the Scottish Government should:

- Consider measures such as Land Value Tax and Land Value Capture to increase access to land for affordable development and fund essential infrastructure;
- Consider options for adequately funding and staffing the planning system;
- Consider increasing access to the Rural Housing Fund;
- Be aware of risks to the affordable housing supply programme which could arise from withdrawal from the EU;
- Monitor the impact of LHA caps on supported housing and take mitigation action if necessary;
- Make financial provision to cover the funding shortfall for temporary accommodation;
- Explore options for funding more proactive enforcement in the private rented sector; and
- Ensure adequate funding of local authority advice and information services.

2. Affordable housing supply

2.1 We welcomed the Scottish Government’s decision to increase affordable housing subsidy rates in line with recommendations from the Affordable Housing Subsidy Working Group. The Commitment to make £3 billion available to support affordable housing supply over the next five years along with increased subsidy levels for social housing will help to ensure that funding does not act as a barrier to meeting the target of delivering 50,000 affordable homes over the course of this Parliament. However, consultation with our members consistently highlights a range of other issues which must be addressed if we are to meet this target.

Land and infrastructure

2.2 Access to land and the provision of essential infrastructure are key to achieving a significant increase in the supply of new affordable homes. In our recent evidence submission to the Finance and Constitution Committee on the future of taxation in Scotland we have called for further exploration of taxation

measures such as Land Value Tax and Land Value Capture. These measures have the potential to prevent land banking, encourage development and generate funding to support local infrastructure.

2.3 However, as stated in our evidence submission, these measures cannot be considered in isolation. They must be considered alongside a number of other factors including local taxation, the development of a new social security system for Scotland, land reform, use of Section 75 and wider issues explored in the planning review.

The planning system

2.4 Delays in the planning system could create challenges given the tight timescales for meeting the target. The latest statistics published in October show that the average decision time for a major housing development is now over 64 weeks. It is clear that the system must be improved if the housing sector is to significantly increase the scale of delivery.

2.5 We welcome the recent review into the planning system and the chance to be part of discussions which will inform the development of a planning Bill in the near future. One aspect of the planning system which was raised as an issue in the review was that of inadequate resourcing and loss of skills as posts are cut or professionals are not replaced. Recommendations in the report included increased fees and sharing of resources across authorities. We would recommend that the option of direct resources for planning and support to encourage more people to enter the profession should also be explored.

Access to the Rural Housing Fund

2.6 We have some concerns with the lack of flexibility in criteria for accessing the Rural Housing Fund. The fund has been established in recognition of the unique issues and costs associated with developing housing in a rural context. Scottish Government guidance states that funding can only be used for developments in areas that meet the following criteria:

- Settlements of 3,000 to 9,999 people and with a drive time of over 30 minutes to a settlement of 10,000 or more;
- Areas with a population of less than 3,000 people and within a 30 minute drive time of a settlement of 10,000 or more; or
- Areas with a population of less than 3,000 people and with a drive time of over 30 minutes to a settlement of 10,000 or more.

2.7 Most areas that would qualify for funding under these criteria will be located within the highlands and islands of Scotland. While we agree that these areas will clearly benefit from access to additional funding to support housing supply, we feel that the definitions prevent other rural but less remote areas from

---

3 [http://www.gov.scot/Topics/Statistics/Browse/Planning/Publications/planapps2017q1](http://www.gov.scot/Topics/Statistics/Browse/Planning/Publications/planapps2017q1)
benefiting. Rural communities based in other areas such as the Scottish Borders or Lothians face similar issues (such as low wage economies, lack of affordable housing and poor transport connections) but have been unable to access funding. We recommend that the Scottish Government considers revising the criteria for the Rural Housing Fund so that awards are based on need and outcomes for rural communities, rather than on geography alone.

**UK withdrawal from the EU**

2.8 Possible issues arising from uncertainties around the UK’s withdrawal from the EU have also been raised by our members and other stakeholders in the housing sector. While the exact impacts cannot be estimated before we have a clear idea of what our future relationship with the EU will be, concerns that have been raised include:

- Financial uncertainty and fluctuations in the value of sterling are likely to have an effect on the cost of borrowing and importing materials for construction;
- Uncertainty over the immigration status of EU citizens currently living and working in the UK and the ability of new workers to enter the UK in future could lead to skills shortages or force up the price of labour;
- Potential increases in the cost of living could impact low income households affecting their ability to pay for essentials such as food and fuel and to cover housing costs; and
- The risk of resources being diverted to dealing with Brexit negotiations could detract from other important issues such as the supply of new homes.

2.9 While these issues cannot be addressed at this time, we feel that it is worth bearing in mind that the affordable housing supply target could come under further pressure over the course of the next few years depending on the UK and Scottish Government’s approach to Brexit. Further information on these issues is set out in our recent evidence submission to the Culture, Tourism, Europe and External Relations Committee.

**Housing for older people and people with special needs**

2.10 The Committee specifically asks whether flexibilities in subsidy levels will improve the provision of housing for older people or people with particular needs. In relation to the provision of specialist housing, the concern is much more weighted to ongoing costs rather than the capital required for new build. Uncertainties around the future of care provision and welfare reform measures such as the introduction of LHA caps to the social rented sector mean it is becoming increasingly difficult for organisations to commit to building new specialist facilities.

2.11 The UK Government announcement that the introduction of LHA caps for supported housing will be delayed and that funding at ‘current levels’ will remain in place is welcome but we still have significant concerns. It is not clear how the Government will calculate the current cost of supported housing, how funding will be distributed and whether fluctuations or future increases in costs would be met.

2.12 Supported housing provides services for some of the most vulnerable members of our communities including older and disabled people and people fleeing from domestic violence. It allows people the support they need to live as safely and independently as possible and often prevents the need for more costly institutional care. The Scottish Government must continue to monitor the situation and take steps to intervene if future funding for supported housing is not sufficient to meet needs.

Building good quality homes

2.13 It is worth highlighting here the importance not just of building more homes in a short space of time, but of building good quality homes and creating successful communities where people want to live. We agree with the Minister’s comments referenced in the call for evidence:

“The Scottish Government will work with the sector to drive best value from the Affordable Housing Supply Programme and promote below grant subsidy level benchmark delivery wherever possible through e.g. innovative funding packages and procurement and collaboration. This will help achieve cost efficiencies in delivering the 50,000 affordable homes target over the next five years.”

2.14 Social landlords should absolutely be exploring all options to deliver best value for money on new affordable housing developments. However, we cannot afford to sacrifice the quality of the new homes being built.

3. Funding homelessness services

3.1 The provision of homelessness services has shifted significantly in recent years with the abolition of priority need, lack of new housing supply, economic recession and welfare reform all presenting challenges. While a shift towards prevention and the housing options approach has reduced the number of homelessness presentations, the number of households in temporary accommodation remains at around 10,000 and funding for the provision of accommodation and support services is of significant concern.

3.2 There is currently no limit on the rent for local authority temporary accommodation and to date, charges have been significantly higher than for mainstream accommodation, reflecting higher costs of providing temporary accommodation. In future, welfare reform measures will limit the amount that a local authority can charge to the LHA rate including the Shared Accommodation Rate (SAR) for single people under 35. Some funding from the UK Government will be made available to cover additional costs.
3.3 It is estimated that the funding gap will be around £40 million per year across Scotland. The UK Government has indicated that around £220 million will be available across the UK to meet additional costs over and above rent. It is likely that Scotland’s share will be around £20 million leaving an overall shortfall of £20 million per year.

3.4 If this shortfall is not mitigated, local authorities could be forced to reduce the quality of accommodation and services in contradiction of the current approach of investing in prevention, early intervention and provision of support. The costs will likely be passed on to other services reflecting poor physical and mental health, disruptions to education, barriers to employment and increases in reoffending. **We recommend that the Scottish Government makes provision for £20 million shortfall in funding for temporary accommodation within the 2017/18 budget.**

4. The private rented sector

4.1 We fully support the Scottish Government’s ambition to improve the quality and management of homes in the private rented sector (PRS). Recent measures such as the introduction of enhanced enforcement areas (EEAs), overcrowding statutory notices (OSNs), letting agent regulation, the Private Housing (Tenancies) (Scotland) Act and the review of the landlord registration system are evidence of the Scottish Government’s commitment to improvements.

4.2 It is our understanding that the majority of people working within the PRS and their representative bodies are supportive of these measures. They want to see standards in the sector improved and for the minority of landlords or letting agents who let out poor quality homes, take advantage of tenants or neglect their legal obligations, to be held to account for their actions.

4.3 Local authorities have a strategic interest in ensuring that the whole of the housing system in their area is functioning well and providing a range of good quality homes for local residents. The importance of the PRS in contributing to housing need will continue to increase as more people rent for longer periods of time.

4.4 Recent large scale intervention in the Govanhill area of Glasgow has shown that a lack of powers is not the issue in tackling poor conditions in the PRS. While all local authorities do play an active role in enforcing basic minimum standards, including management of landlord registration, their capacity to carry out more proactive enforcement is often constrained by lack of resources.

4.5 Landlord registration fees have not increased since their introduction in 2006. These fees cover the cost of operating the system but leave little resource for local authorities to pursue any but the worst cases of negligence in the PRS. If local authorities cannot afford to make use of powers, many private tenants will continue to live in poor quality, insecure housing. **We recommend that landlord registration fees should be increased in line with inflation backdated to 2006. In addition, the Scottish Government should consider other options**
for funding enforcement powers such as through local taxation or making grant funding available for targeted interventions.

5. Access to advice and information

5.1 A successful housing system must underpinned by the provision of good quality advice and information and this is often provided by local authorities in the form of housing options, income maximisation, assistance claiming benefits and through work with PRS landlords and tenants.

5.2 The importance of advice and information as a preventative tool and for ensuring people have access to the services they need when they need them is referenced in the Scottish Government’s current consultation on the new social security system for Scotland and ongoing support for the housing options approach. The volume of changes being introduced in the PRS will also increase the need for advice and information to ensure that landlords and letting agents are informed and supported to comply with their legal duties and that private tenants are aware of their rights and how to challenge their landlord if standards are not being met.

5.3 While the need for advice services is well documented, non-statutory advice services offered by local authorities can be vulnerable to budget cuts or work on short term grant funding. The Scottish Government must ensure adequate funding is available to provide vital advice and information services in order to avoid more costly interventions.

6. Conclusion

6.1 We recognise that the Scottish Government has tough decisions to make during this budget and for the years ahead. We have set out a range of priorities for the provision of new homes, homelessness services and improving the PRS. All of these proposals will have significant positive impacts on a range of indicators including health and wellbeing, education, employment and the economy. Investing in housing and housing services contributes to the Scottish Government’s national indicators in a number of areas and will support the vision to create a fairer, more equal Scotland.

Ashley Campbell, Policy & Practice Manager