Local Government and Communities Committee

Scrutiny of the Draft Budget 2017-18

Submission from Glasgow and West of Scotland Forum of Housing Associations

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))?

GWSF comments on Question 5:

Innovative finance schemes, particularly those that creatively seek to develop grant mechanisms out of ‘financial transactions’ loan funding, have a place in providing small scale initiatives on the fringes of the mainstream programme. Generally they fund intermediate tenures such as mid-market rent: they do not fund social rent as only decent levels of grant can do this.

GWSF notes that the LAR Housing Trust initiative is focused mainly on providing mid-market rent in Aberdeen and Edinburgh and so we have no views on it, other than to note our extreme surprise that the contract for managing the homes was awarded to Orchard and Shipman, who have a very poor track record of property management in both Edinburgh and Glasgow.

GWSF has no specific comment on the Help to Buy scheme.

Since 2012-13, the Scottish Government has provided each council with a 3-year Resource Planning Assumption [1] which councils then use to develop Strategic Housing Investment Plans (SHIPs). The core purpose of the SHIP is to set out strategic investment priorities for affordable housing over a 5 year period to achieve the outcomes set for the LHS. SHIPs will be the key documents for identifying strategic housing projects to assist the achievement of the 50,000 target. Priority projects may include, for example, those provided by local authorities or RSLs operating in the areas.

SHIPs are currently submitted to the Scottish Government every two years and form the basis of Strategic Local Planning Agreements (SLPAs) which are discussed with local delivery partners and then agreed with councils. SLPAs then form the basis of individual RSL and local authority programme agreements.
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?

GWSF comments on Question 6:

GWSF’s main interest here is to comment on the extent to which local community controlled housing associations are able to make a significant, equitable contribution to the programme alongside larger and regional/national associations and, in areas outwith Glasgow and Inverclyde, alongside the local authority’s own house building programme.

The first round of Strategic Housing Investment Plans (SHIPs) is due from Scotland’s 32 local authorities in November. These will give the Scottish Government – and other bodies, where the SHIPs are openly available – the first indication of the plans in place for contributing to the five year target, and the balance of the programme between councils’ own new build programmes, larger regional and national housing associations and community controlled housing associations.

In the meantime, outside Glasgow, feedback from members suggests a mixed picture. In some areas, local housing associations which have had little or no development programme in recent years have been invited to submit plans for developments. This suggests that the local authority is aware of the need to involve as many providers as possible in order to meet its much expanded supply target. It means community controlled housing associations will play a role alongside larger associations and the council’s own new build programme.

But in some other areas, community controlled associations feel they are being squeezed out, despite having a track record of high quality new build provision over the years. In one area, for example, the six community based associations are set to provide only 18 units of new build in 2016-17, as against 275 from larger, national associations and 96 from the council itself. Such an approach overlooks years of development experience built up by local associations.

In Glasgow, across most parts of the City the Council has been keen to encourage local community controlled associations to contribute to the programme and, as a result, more of our members are expecting to be involved in the five year programme than have been involved in the last five years.

But in some areas, most notably Easterhouse, and on some specific sites elsewhere in the City, community controlled housing associations have lost out because the Council has prioritised sites for Glasgow HA, other associations in the Wheatley Group, or other large associations such as Sanctuary.

GWSF recognises that the scale of the programme in Glasgow, and the fact that there is no council house building programme, should mean there is a place for contributions from a wide variety of providers, including the larger associations. But there are particular implications with giving GHA priority over local associations. Firstly, the intention behind the stock transfer was to break up a large provider and
Disperse the stock among more local associations: prioritising GHA new build is effectively reversing this trend and this is of real concern to GWSF.

Secondly, there is a significant degree of risk in the Council putting too many eggs in one basket. If it subsequently proves difficult for any of the larger associations to keep to their commitments (bearing in mind that GHA and other larger associations are also active in many areas outwith Glasgow), then there is the risk of slippage in the programme, which could lead to failed targets and underspend. Maximising the role of community controlled associations means more evenly spreading the risks which always come with development.

From January 2016, affordable housing grant subsidies for Registered Social Landlords and for local authorities were increased. In addition, the Scottish Government increased the flexibility within the subsidies such that grants can be awarded for higher cost projects.

**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.**

**GWSF comments on Question 7:**

GWSF played a key role in the working group whose recommendations led to the increased benchmark subsidy rates. The cost of providing social housing varies between areas and individual sites, but our belief is that in many instances, the revised rates will make the difference and enable schemes to go ahead when otherwise the finances simply would not have stacked up.

However, the rates increased to what GWSF believes were the minimum levels required. It is important to remember that the increase, whilst hugely welcome, simply restored grant rates in real terms to somewhere near (but still lower than) their 2009 rate. Particular schemes on particular sites are likely to need above-benchmark grant, but at this stage of the five year programme it is too early to assess the extent to which councils are willing to discuss enhanced rates in reflection of the flexibility they have.

One area where we anticipate additional grant will be needed is for sites where significant remediation work is needed, for example to address contamination on former industrial sites. Another is where additional environmental work is needed to the area immediately surrounding the site. The Subsidy Working Group recommended an additional grant fund into which providers could bid, by way of replicating the former GIPSE – Grants for Improving the Physical and Social Environment. Ministers did not feel able to agree this, presumably because of the proposed £30m cost over three years, and the Scottish Government’s position is (a) that there is flexibility within the mainstream benchmark subsidy system to deal with such costs, and (b) that this decision was for one year only and could be reviewed ahead of the remainder of the programme. GWSF will be seeking feedback from members on this issue ahead of 2017/18.
It is too early to assess whether there will be much specific provision for older people within the five year programme. GWSF suspects that most of any specialist provision will be at the ‘lower’ end of the spectrum, as highly specialist provision would need much higher levels of subsidy and also guarantees of future support/care funding. In relation to housing built to a full wheelchair standard, some councils have notional targets for this but it is not clear how rigorously these are implemented. It also appears that the great majority of such provision is in the social rented sector, with very little mid market rent or low cost home ownership provision meeting this standard. This is likely to be narrowing the options open to wheelchair users.

**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?**

**GWSF comments on Question 8:**

**Acquisition and improvement of poor tenemental housing in the private sector**

GWSF has been making the case for some time now that more local authorities should make greater use of their power to use new supply funding to support housing associations, working closely with their local authority, to acquire and improve private tenement flats which have fallen into poor condition. This brings the housing into the social rented sector and also means the flats are subject to sustainable, long term, high quality factoring services.

As Glasgow City Council has shown in recent years, associations can be supported both to buy one-off flats which would give the local housing association majority or full control over a close, and to tackle whole blocks whose condition has deteriorated and which may be a blight on the local community. Few other councils in GWSF’s area have used even a very small part of their new supply funding in this way, despite it contributing to targets for new social and affordable housing and providing work for the local construction industry.

**Impact of benefit cuts on the new build programme**

Westminster cuts to Housing Benefit/Universal Credit for social housing tenants pose a significant threat to the success of the new build programme. In April 2018, tenants who began their tenancy after March 2016 and who are reliant on benefit will find that the help they get is restricted to the Local Housing Allowance rate for their area. The biggest group affected will be single people under 35, whose help will be limited not to the one-bed LHA rate but to the shared accommodation rate. Some current examples of the rate are £68.28 in Glasgow, £61.36 in Argyll and Bute and £60 in Renfrewshire and Inverclyde, and these rates are frozen at least until April 2020.

As an example of the likely impact, one of our member associations has highlighted that a proposed new build project would have around a third of lets allocated to homeless applicants, the majority of whom would be single people under 35, with a number of further allocations through the housing list also likely to be to people under 35. Realistically, a good proportion of these lets will be to people reliant on support with their housing costs. The association’s current estimate is that rents for one-bed homes will be around £15 per week above the LHA shared accommodation
rate. That blows a hole in the association’s efforts to make the development’s funding package stack up.

GWSF recognises that the Scottish Government cannot mitigate every punitive cut imposed by the UK Government, but we are keen to discuss the impact of the April 2018 cuts and the challenges this presents to tenants and future tenants, social landlords and the new build programme.

**People and Communities Fund**

Finally we would ask the Committee to note that GWSF will shortly be making a separate budget submission specifically on the Scottish Government’s People and Communities Fund, which supports a wide range of community regeneration initiatives, and is available both to housing associations and voluntary organisations. As far back as 2008/09 the previous Wider Role Fund stood at £12m and at that time was exclusively for housing association initiatives. In 2016/17 the Fund stands at £10.8m and less than half of the money goes to housing associations.

Over the years this has been a much-valued source of funding for services and initiatives which cannot be funded from rental income and which goes directly to community anchor bodies. It complements the much greater amount of funding which goes into new build, and at a time when there is £3 billion in that programme, and the Scottish Government’s community empowerment agenda is gathering momentum, GWSF strongly believes that it is a false economy to trim the size of the PCF.