Local Government and Communities Committee

Scrutiny of the Draft Budget 2017-18

Submission from the Association of Local Authority Chief Housing Officers

1. Introduction

1.1. As the representative body for Scotland’s Local Authority Chief Housing Officers ALACHO welcomes the opportunity to respond to the Local Government and Communities Committee’s call for evidence in relation the Scottish Government’s 2017/18 draft budget.

1.2. Whilst services to Council tenants are almost entirely funded through the rents they pay Scotland’s Council Housing Services have a significant interest in the budget arising from:

- our role as strategic housing authorities with an interest in the functioning of the local housing market and planning to meet housing needs and demands;
- the provision of services to the homeless and those at risk of homelessness including housing options, advice and support services;
- the operation of the welfare system and the assistance available to households on low incomes or with particular needs;
- our role in improving the energy efficiency of Scotland’s homes and in reducing fuel poverty;
- our role in the regulation of the private rented sector and in particular our efforts to improve standards for private tenants;
- the availability and effectiveness of health and social care services and in particular the support available to vulnerable households and those at risk of homelessness to help them access and sustain suitable accommodation.
1.3. In preparing this response to the Committee’s call for evidence we recognise that the Scottish Government has difficult choices to make on income and spending priorities.

1.4. The Committee has set out a number of questions that it is seeking evidence on. Not all of these questions fall within ALACHO’s remit and the questions do not address all the issues that we would want to raise. In particular, we are not in a position to comment on questions 2, 3 and 4.

1.5. ALACHO’s core concern is to set out those areas of housing and related services that are under most pressure both in terms of scope and effectiveness and to identify the risks that could arise if adequate funding isn’t made available through the 2017/18 budget and beyond. In particular, our evidence focuses on:

- The funding (both capital and revenue) that is available for the provision of high quality temporary and interim accommodation for homeless households;
- The funding for housing support services including housing advice and housing options;
- The resources available to support improved enforcement across the private rented sector; and
- The scope and effectiveness of mental health services available to those facing “multiple exclusion” homelessness.

1.6. Our views on these issues should be seen as our response to the committee’s first question about the impact of budget reductions to date and the risk of further reductions in spending in these areas.

1.7. We have also provided a response to questions 5-8 relating to the Affordable Housing Supply Programme but would stress that at this time our view is that a shortfall in the funding for the revenue born services presents the greatest risk to the most vulnerable households in Scotland.
1.8. We have not provided evidence in relation to fuel poverty or the development of a welfare system for Scotland. This is not because we regard these as being of less importance than other issues but rather because the Scottish Government is currently in the process of developing its proposals on both and because we are aware that other organisations will be making more detailed submissions on the funding issues involved.

2. The impact of budget constraints on key areas of housing related services

2.1. The funding (both capital and revenue) that is available for the provision of high quality temporary and interim accommodation for homeless households.

2.1.1. Both the statutory and service delivery framework for homelessness services has improved significantly over the past 15 years. The abolition of the priority need test from 2012 in particular has extended eligibility for assistance to a significant number of vulnerable single people who in the past may have been offered little or no practical assistance. These households, often previously seen as either having no priority need or being intentionally homeless contain a significant number of individuals facing “multiple exclusion” from a range of services and opportunities.

2.1.2. As a result, the client group now accessing homelessness services has significantly higher support needs than previously, creating a need to reconfigure both accommodation and support services.

2.1.3. Councils have been developing responses to this changing need over the past four years but have faced problems in developing new models of temporary and interim accommodation particularly in relation to capital funding (which is not currently covered by the Affordable Housing Supply Programme) and revenue support for the increasing demand for housing support services.

2.1.4. These difficulties will now be compounded by changes to the rules around housing benefit for those in temporary accommodation. Up until April
this year no upper limit was applied to housing benefit in Council owned temporary accommodation. In future, assistance with rents will be limited to the Local Housing Allowance (LHA). For those under 35 this will be further restricted to the “shared accommodation rate” (SAR). The LHA and SAR have been frozen until 2020. The rates that will apply are set out in the appendix to this submission.

2.1.5. Typical rents in homeless hostels and dispersed accommodation range from £180 to £250 a week (though some are significantly higher or lower than these figures). These charges reflect much higher management, maintenance and supervision cost associated with:

- The provision and replacement of furniture
- Decoration and redecoration on relet;
- Additional security and supervision costs;
- Higher void rates; and
- Intensive management.

2.1.6. These costs do not cover “housing support” including assistance with benefit claims, resettlement, relations with neighbours or help with coping with day to day domestic activities like shopping, paying bills or operating domestic appliances. These tasks are not eligible cost for the purposes of Housing Benefit (or the housing element of Universal Credit) and as a result cannot be included in the rent charge.

2.1.7. Attempts to quantify the shortfall in funding arising from these changes has been hampered by a lack of clarity from the DWP and the wide variety of approaches to rent setting and service provision adopted by individual local authorities. However recent announcement by the DWP have made it clear that, whilst arrangements have been announced to provide additional funding to some types of supported accommodation, there is no intention to fund the whole of the shortfall in funding for council owned temporary accommodation.
2.1.8. The scale of the funding gap is likely to be not less than £40m a year for Scotland as a whole. As at 31 March 2016 there were 10,555 households in temporary accommodation\(^1\). Based on typical rents of around £200 a week the total revenue is likely to be around £100m a year. Comparing this to the levels of LHA currently in pace it’s likely that authorities will lose up to half of their rental income from temporary accommodation. This could be as much as £50m across Scotland though the % reduction will vary significantly from council to council depending on rent levels and stock profile.

2.1.9. The Westminster Government has indicated that a global sum of around £220m will be made available to assist with meeting these costs. The sum likely to be available to the Scottish Government will be in the order of £20m.

2.1.10. Significant work remains to be done to properly quantify the funding shortfall arising from the changes to the housing benefit system. However, based on consultation with our members, ALACHO expects the sum required to be not less than an additional £20m a year over and above the “consequential” funding that is likely to be provided if current service levels are to be sustained. There is a possibility that the figure could be significantly higher than this.

2.1.11. In the light of this it is our view that the Scottish Government should:

- set aside at least £40m (including any consequential funding provided by the Westminster Government) in the 17/18 budget to support the emerging shortfall in revenue from temporary accommodation rents;
- undertake the work necessary to properly quantify the full shortfall in funding to properly inform future spending plans; and
- amend the rules around the provision of funding for new social housing to allow, where the local housing strategy demonstrates a need, Councils to access this funding for new temporary and interim accommodation.

\(^1\) HOMELESSNESS IN SCOTLAND: 2015-16, Scottish Government. pp5
http://www.gov.scot/Topics/Statistics/Browse/Housing-Regeneration/RefTables/RefTables
2.2. The funding for housing support services including housing advice and housing options.

2.2.1. As we have already noted housing benefit and the housing element of Universal Credit are limited to cost associated with the provision of accommodation only. Since 2003 this has specifically excluded any costs associated with the provision of “housing support”. Housing Support was defined in the regulations developed for the introduction of “Supporting People” funding and includes a total of 21 tasks.

2.2.2. Demand for these services has, however, risen significantly in recent years in part driven by the increasing proportion of vulnerable single people accessing homelessness services. Whilst most of those applying for assistance under the homeless persons’ legislation have low support needs and in general simply need assistance to secure a home, there is a significant group of mainly single applicants facing what is often called “Multiple Exclusion Homelessness”.

2.2.3. The profile of these clients is well understood in homelessness services. They may have a history in care or offending, are likely to have some level of mental health problem, may have undiagnosed learning difficulties, previously experienced rough sleeping and often have problems with alcohol and drug use.

2.2.4. They often have little or no experience of sustaining a tenancy or may have a number of failed tenancies behind them. They are also at much higher risk of experiencing benefit sanctions or of being excluded from access to other services, including health services, as a result of past behaviour.

2.2.5. Other service providers have been slower to appreciate the demand that these clients make on services more generally. However recent work through the NHS Public Health Network has highlighted the significant inequalities in health outcomes (including high levels of self-harm, suicide and

2http://www.gov.scot/Publications/2006/05/17100620/9
premature death)\(^3\) whilst research by the Scottish Government has demonstrated that homelessness is a significant contributor to reoffending\(^4\).

2.2.6. Overall a failure to address multiple exclusion homelessness is resulting in real harm to the individuals and communities and significant avoidable costs to public services.

2.2.7. In addition to these challenges our members are reporting a growing problem with providing a response to applicants, often economic migrants, whose immigration status means they have “no recourse to public funds”.

2.2.8. Whilst there is specific provision in legislation that allows assistance to be provided to prevent children being destitute, no such protection exists for adults. There is evidence that one of the drivers behind the recent rise in rough sleeping in Scotland’s cities has been growth in the number of homeless adults with “no recourse to public funds” who are simply being left destitute and on our streets. In addition, a small number are to be found in temporary accommodation accumulating significant rent arrears whilst the Council faces the dilemma of causing destitution or supporting these clients despite the fact that they are not eligible for assistance.

2.2.9. There is no easy solution to this problem, however, the alternative to doing nothing is to consign a growing number of adults to long term rough sleeping. This is clearly unacceptable. It is our view that the Scottish government and local authorities should undertake to work with private housing providers (including RSLs) and the charitable and voluntary sector to develop new models of service to support this group in particular and provide a practical alternative to rough sleeping.

2.2.10. In the light of this our view is that the Scottish Government should make an appropriate allocation of funds over each of the next five years either


\(^4\) [http://www.gov.scot/Publications/2016/01/6920/0](http://www.gov.scot/Publications/2016/01/6920/0)
through homelessness services directly or via Joint Integration Boards to support:

- the development of new models for support services combining housing support with other interventions, including mental health services, to prevent homelessness and repeat homelessness for those at risk of reoffending, or multiple exclusion from services;
- The development a Scotland wide housing advice and options service for those leaving prison; and
- work with RSLs, other private landlords and the voluntary and charitable organisations to end rough sleeping and destitution for those in this country “without recourse to public funds”.

2.2.11. Evaluation of these pilots and the development of best practice will then provide the basis for a more widespread reconfiguration of support services including mental health and substance abuse service for those facing multiple exclusion homelessness with a much stronger focus on prevention.

2.3. **The scope and effectiveness of mental health services available to those facing “multiple exclusion” homelessness.**

2.3.1. Neither the 2012-2015 mental health Strategy nor the recently published consultation draft of a proposed ten-year vision for mental health services in Scotland make any specific mention or contain any actions relating to mental health and homelessness.

2.3.2. This despite the fact that it has long been acknowledged that housing stress and homelessness are strongly linked to mental health problems. Mental illness may cause or significantly contribute to the loss of accommodation and the loss, or threat of losing accommodation can have a significant negative impact on the mental health of those involved.

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2..3.3. The most obvious demonstration of this is in the high levels of self-harm, attempted suicide and suicide amongst homeless clients. A recent report published by the NHS Scottish Public Health Network indicates that mental health problems are almost twice as common amongst homeless people than the population as a whole. The life expectancy for long term homeless people has been reported as 43 for women and 47 for men. Significantly below that experienced by even the most deprived communities in Scotland.

2..3.4. In any event there is a widespread impression amongst those working in homelessness that the current configuration of mental health services fails many of the homeless clients who need these services most. And, whilst ALACHO has raised this issue regularly in recent years and in particular in the context of Health and Social Care integration there has been little progress in changing service delivery or improving outcomes for those affected by homelessness.

2..3.5. We have already made the case of funding for pilot projects to develop integrated service delivery models to support the development of more effective practice and joint working in responding to the mental health needs of homeless clients. We would go further and suggest that additional resources are required to increase the availability of mental health services generally but particularly for young people with a specific focus on homeless clients.

2..3.6. Local authorities can support the development and delivery of these services by developing more appropriate temporary and interim accommodation options for the most vulnerable homeless clients (and for this reason we have asked that the Affordable Housing Supply Programme should be extended to new temporary and interim accommodation) but the overall approach will only be successful if the availability of mental health services generally is improved and extended.

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2.3.7. We are not, at this stage, in a position to put a figure on the level of new resources required, rather we would argue that the Health and Social Care Joint Integration Boards should be asked specifically to work with local authority homelessness services to develop a strategic response to this need in the context of the finalised 10-year vision for mental health services and to provide local estimates of the additional funding required or resource transfer options.

2.4. The resources available to support improved enforcement across the private rented sector.

2.4.1. The growth of the private rented sector and the increase in the number of families and in particular low income families that rely on it for their home has been well documented. As with most other areas of housing policy, recent changes in the legal framework for the Private Rented Sector have had a positive impact on the overall operation of the housing system.

2.4.2. However, significant problems remain both in relation to the physical condition of the private rented stock and the standards of management and compliance on the part of some private landlords. Estimates from our members suggest that as much as 10% of landlords may still be unregistered and only half the sector uses any form of managing agent or professional support. There is also evidence significant links between some private landlords and serious and organised crime.

2.4.3. The Scottish Government has made it clear that it wants to see a more robust approach to enforcement across the private rented sector. This is clearly signalled in the current draft guidance on the operation of the landlord registration system.

2.4.4. However, no new resources have yet to be made available to support this work and fees for landlord registration have remained unchanged since the

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8 http://www.gov.scot/Topics/Built-Environment/Housing/privaterent/landlords/LRSSOC
system was first introduced in 2006. Some Councils have never the less improved their overall approach to enforcement in part by using a range of supplementary charges including late registration fees.

2..4.5. Whilst this has filled some of the gap left by the absence of a more coherent funding framework it also means that otherwise compliant landlords are at risk of increased charges from relatively minor infringements whilst many continue to avoid registration and flout the law.

2..4.6. The current draft guidance on landlord registration will provide the policy and practice framework for a significant improvement in enforcement activity generally. However, without new resources to support this work it is unlikely to have any significant impact on poor conditions and bad practice across the sector.

2..4.7. In the light of this we are asking that:

- registration fees and associated charges are uprated at least in line with inflation since 2006; and
- that the Scottish Government gives consideration to what the balance should be between funding enforcement from charges to compliant landlords (those that register and pay the fees) or through general taxation (that is council tax or the block grant to local authorities from the Scottish Government) and make additional funding available as appropriate.

3. The management and impact of the affordable housing supply programme

3..1. Overall our view is that the centrally managed affordable housing funding programmes are well manged and are delivering outcomes that are in line with Local Housing Strategies and Strategic Housing Investment Plans. Officers in the Scottish Government’s area teams and the More Homes Scotland team are strongly focused on delivery, well aware of the challenges that housing
development programmes can involve and adopt an engaged and appropriately flexible approach to the application of benchmarks and in agreeing the type and tenure mix for each development.

3.2. The availability of a number of funding alternatives, particularly those associated with Mid-Market Rent, has supported some innovation in delivery and in particular has provided options to reduce the risk to some developers in some markets. In doing so these approaches have allowed some developments to proceed that may not otherwise have done so.

3.3. There has, however, been less success in securing significant investment in the “build to rent” sector other than in the student market or in Edinburgh. This is likely to be more a product of the views of potential investors on risk and returns in the Scottish private rented housing market.

3.4. 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 five year period to achieve the outcomes set out in the LHS. SHIPs will be the key documents for identifying strategic housing projects to assist the achievement of the 50,000 target.

3.5. The provision of resource planning assumptions and guidance on the extent to which local authorities should “over programme” is generally regarded as helpful. ALACHO has, however, argued that the practice of applying a “80%, 60%, 40%” formula to the current year’s budget for planning purposes is unhelpful at a time when the Scottish Government is seeking a significant expansion in the supply of new affordable housing.

3.6. Officials have responded positively to this case and we understand that in future (and subject to the approval of the Scottish Government’s budget) the intention is to issue resource planning assumptions for the four years from 2017 based on actual budget rather than the reducing formula currently being used.
3.7. This approach, if adopted, will support the development of more robust Strategic Housing Investment Plans and Strategic Local Programme Agreements (SLPAs) and allow for more confident and robust forward planning. In particular, it will give individual Councils more confidence in making medium term programme commitments to RSLs and private developers.

3.8. On the question of subsidy levels there is no doubt that the recent increase has had a significant impact on the overall capacity of social landlords, both Council’s and RSLs, to delivery more homes.

3.9. Survey work undertaken by ALACHO has indicated that collectively Scottish Local Authority landlords are planning to at least double the number of additional social rented homes they will provide in the period to 2021 compared to the five years to April 2016.

3.10. In general terms the flexibility around benchmarks is sufficient to ensure that an appropriate proportion of housing to meet particular needs, including those of older people, can be provided. This is particularly so in relation to the provision of individual adapted or adaptable homes to meet the needs of an ageing population.

3.11. However, as we have set out in section 2 above, the uncertainty about the availability of revenue funding to provide housing support services and the impact of the Local Housing Allowance on rental income may have a significant impact on the willingness of some providers to commit to the development of housing for those with higher support needs.

3.12. In addition, the difference between grant rates for Councils and those for RSLs remains a concern for many of our members. Councils developing in remote and island locations are currently working with a benchmark grant level set at a little under 70% of the RSL rate. In urban areas the grants to local authorities are just under 80% of that available to RSLs.
3..13. In effect Council tenants are being asked to pay a higher proportion of the cost of each new social rented home than those renting from RSLs. Whilst at this point there is no evidence that lower grants for Council new build will impact on the delivery of the Scottish Government’s target of 50,000 additional affordable homes by 2021 it will put further pressure on Council rents and increase the level of debt held on Council’s HRAs.

3..14. As a result, capacity to sustain the programme beyond 2021 will almost certainly be reduced.

3..15. Finally, the Committee has asked for views on issues relating to value for money in the affordable housing development programme. This has also been the focus of some recent work by benchmarking organisations supporting the social housing sector9. The Scottish Housing Regulator is currently undertaking work on financial planning and risk management in the RSL sector.

3..16. Definite conclusions are difficult to come to. Some areas are simply more expensive to develop in because of land supply and pricing issues, in others higher construction costs are driven by the limited nature of the local construction industry or the logistics of supplying and supporting sites.

3..17. Our survey of members has shown that they are strongly focused on costs and value for money and that there are significant levels of collaboration between RSLs and Local Council’s both in relation to planning new developments and where appropriate in the procurement process.

3..18. It has also been argued that “modern methods of construction” including off site manufacture could reduce costs as could the adoption of standard designs or centralised procurement processes. These are, as yet, however, relatively untested in Scotland.

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9 In particular, HouseMark and Scotland’s Housing Network, the two most active “benchmarking” clubs in Scotland.
3.19. Over the piece there is no evidence that value for money isn’t being achieved and plenty of evidence of significant efforts to control costs, improve procurement and to achieve better standards including in design and “place making”.

3.20. And whilst we would support any effort by the Scottish Government or others to improve the tools available to assess value for money we would also note that any assessment has to take account of the very wide variation in local context in which development takes place. A one size fits all approach to value for money is unlikely to be helpful.

4. Conclusions

4.1. ALACHO is aware of the difficult choices that the Scottish Government will face in preparing its budget for 2017/18. Nine years of constrained public spending is, however, starting to tell on key areas of housing service delivery though we are also aware that this is not unique to housing.

4.2. We have set out four areas of service provision where current levels of underfunding and rising demand for services are placing increasing pressure on service delivery and where a failure to address this issue is likely to result in either a significant impact on vulnerable clients or a failure to meet key Scottish Government policy objectives.

4.3. In some areas we have highlighted non housing services that need additional funding or support to develop new service models without which housing objectives will not be met.

4.4. In relation to homeless temporary accommodation we are aware that we are asking for significant additional resources. However, without this funding all the recent achievements in homelessness will be undermined and the quality of the response to the needs of homeless people significantly reduced.
4.5. There is an increasing recognition that effective housing responses can play an important part in improving a much wider range of outcomes for vulnerable people and reduce demand and costs to other services. This is true of all the areas we have highlighted in our submission. Additional funding and more effective early intervention in these areas will support both better outcomes and reduced costs in the future.

4.6. Our assessment of the current approach to managing the Affordable Housing Supply programme is that it is fit for purpose and supported, through the More Homes Scotland team, by skilled and committed civil servants who work well with local councils, RSLs and developers. As things stand we are confident that collectively the 26 stock holding Council’s will deliver the significant increase in affordable and social housing supply that will be required to meet the Scottish Government’s target of 50,000 homes by 2021.

4.7. Whilst there is always room for improvement in the development process we do not believe that there is any evidence of poor value for money in the delivery of new affordable homes.

4.8. We look forward to elaborating on these points at the Committee’s evidence session on Wednesday 16 November 2016.

Tony Cain
Policy Manager
Association of Local Authority Chief Housing Officers
### LHA Weekly Rates (Scotland) 2016/17

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