Local Government and Communities Committee

Scrutiny of the Draft Budget 2017-18

Submission from the Scottish Federation of Housing Associations

WHO WE ARE

The SFHA leads, represents and supports housing associations and co-operatives throughout Scotland. We want to see a thriving housing association and co-operative sector providing sustainable and affordable homes.

EXECUTIVE SUMMARY

The SFHA welcomes the Scottish Government commitment to build 50,000 affordable homes over the next 5 years, with 35,000 for social rent. This responds in large measure to research commissioned by SFHA and other housing bodies which found that, in order to meet outstanding housing need, Scotland needs to build 60,000 new houses, that is 12,000 new homes in each of the next 5 years\(^1\).

We note, however, that 50,000 will be a challenging target for the sector, as only 30,000 affordable homes were built in the previous 5 year period. This needs to borne in mind when scrutinising the housing budget. Increases in grant levels, and a planned investment programme will provide the assurance that housing associations need be able to plan to increase the supply of affordable housing.

- Other factors will be at least as important if the Scottish Government 50,000 homes target is to be achieved
- Access to affordable land
- People with the skills to plan and build the homes
- A planning system that supports the development of homes where they are needed
- A way to fund infrastructure so that sites are ready to be developed
- Support from utilities
- Strategic partnerships between councils and housing associations

It is important to keep social housing rents at a level which is affordable to employed people on low incomes – if capital grant is cut then rents need to be increased to make up the shortfall. The uplift to the benchmarks for funding affordable rented housing, implemented in April 2016, is therefore welcome.

Housing associations also work to provide housing for people with particular needs and older people. It is early in the 5 year programme to comment in detail on

progress to build 50,000 homes and to provide housing for people with particular needs.

SFHA is engaging in a number of areas to work with members and the Scottish Government to increase the supply of affordable housing - including the review of planning, discussions on a vacant land tax, running events to help associations partner and collaborate, and providing a procurement advice service.

MAIN REPORT

General Comment

We believe it is right that the majority of the Housing Supply Budget is for the AHSP which provides affordable rented housing for those in greatest need. The Scottish Government’s commitment to increase affordable housing supply to 50,000 over the next 5 years, with 75% of those homes for affordable rent, is welcome. Increasing the delivery of affordable rented housing will however be a challenge as previous cuts to the AHSP has led to a loss of development skills in the sector and a reduction in the number of housing associations developing homes.

SFHA is working with Scottish Government to look at the challenges that need to be overcome to increase housing supply, and we plan a further event shortly to showcase joint working and collaboration and to match associations who can work together to deliver more affordable homes. We are also engaged in a number of other pieces of work (detailed in our answer to Question 8) to help housing associations build more homes for social rent.

Our view of the centrally managed funds is that shared equity housing and innovations such as LAR and NHT have a role to play in providing mid market housing. These forms of housing meet the needs of people unlikely to be housed in social housing but whose needs are not met by the market, and can help to regenerate areas and provide sustainable, mixed tenure communities. These initiatives also have the advantage of using financial transactions money that flow from the UK Government a result of the Barnett formula – the 2015/16 Housing Supply budget received a £64 million boost in October 2014 of Barnett consequentials that were used to support these initiatives.

The Home Owner Support Fund makes a significant contribution to supporting home owners in financial difficulty to remain in their own homes, preventing homelessness and associated problems. Housing associations have played a significant role in this, converting homes to shared ownership or affordable rent.

We have not answered questions 1-4 as they relate to local government funding.

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?

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)?

As stated in our introductory remarks, independent research has been demonstrated that there is significant unmet need for affordable rented housing. This is provider (mainly) by housing associations, with a significant minority supplied through local authority housebuilding programmes. While initiatives such as NHT, LAR and others innovations have an important role to play in meeting the needs of people unable to have their needs met by the market, they do not contribute to the supply of affordable rented housing and so while they have a role to play we believe the lion’s share of the funding should continue to be to the AHSP to support those in greatest need.

We understand that these programmes are generally well managed and meet an identified need. The mix of housing is about right with the majority being for affordable rent with other funds supporting tenure diversification and providing housing for people whose needs are not met by the market.

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?

We understand that the Resource Planning Assumption (RPA), coupled with Strategic Housing Investment Plans will help enable local housing priorities to be met. While it is not possible to comment in detail on these for 2017/18 as the RPAs have yet to be published, we have been working closely with Scottish Government, members and the Association of Local Authority Chief Housing Officers (ALACHO) to look at capacity to deliver 50,000 affordable homes and to identify where support is needed to deliver additional homes.

We also understand that there is likely to be a budget with RPAs for the next 3 years – we believe that this is necessary in order to enable local authorities and housing associations to plan to increase supply and work to meet needs.

Increasing the benchmark for affordable rent was a necessary, evidence-based step to enable housing associations to increase the supply of affordable rented housing. The SFHA was an integral part of the Scottish Government Subsidy Review Group that in June 2015 recommended a higher level of grant, and we gathered evidence from a large number of members indicating the need for increased benchmarks to cover the cost of development and enable housing associations to invest. Providing 50,000 affordable homes for rent will be a challenge and to do this, based on evidence collected from our members, we need the increased grant rates. The
report of the Subsidy Working Group explains the need for higher grant levels to meet development costs and support housing delivery2.

**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.

We believe that the recently increased subsidy levels will support new developments for affordable rent – members tell us that either they are now able to increase their development programmes, or start developing again, now that the benchmarks are closer to reflecting the cost of development. While we are early in the 5 year programme to build 50,000 homes and the increase will be gradual as the development of housing has a long lead-in period, evidence from members tells us that development activity has increased.

On the development of housing for older people or people with particular needs, the Subsidy Working Group recommended a separate fund for special needs housing – the recommendation was not accepted but the Scottish Government stated instead that there should be greater flexibility in funding projects above the benchmark grant levels.

While several housing associations have plans for this type of accommodation it is early to say whether increased benchmarks will lead to significantly more new housing for people with particular needs.

We will continue to work with members and government to see if significantly more housing is being developed to meet those needs.

**QUESTION 8 – ANY OTHER POINTS/ COMMENTS**

Scrutiny of the Housing Supply Budget is important now and in future. While the SFHA welcomes both the boosted 5 year target, the increased HAG benchmark and the commitment to significant investment, other significant factors could impact on the ability of housing associations to increase the supply of affordable housing.

These include as outlined at the outset

- Infrastructure,
- Skills – of housing association staff, local government for approvals and the construction industry
- Supply of affordable land

The Scottish Government is working hard with the SFHA and other bodies in the sector to work towards the 50,000 homes target but it will be a significant challenge.

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The SFHA has engaged in the Planning Review, taken part in discussions on a charge on derelict and vacant land, facilitated workshops for developers by Scottish Water and responded to a consultation on funding infrastructure for housing – all with the aim of increasing the supply of affordable housing.

CONCLUSION

The SFHA welcomes the Scottish Government's commitment to invest £3bn in housing to provide 50,000 affordable homes over the next 5 years.

Increases in the 2016/17 AHSP budget, and the recent rise in grant benchmarks to reflect the costs of building homes for affordable rents can only help housing associations increase housing supply and contribute to meeting the target.

Proposals to provide 3 year RPAs should also assist longer term planning so that housing associations can help to increase the supply of new affordable homes.

As noted above, however, factors other than finance will have an impact on the number of affordable homes delivered – these include access to affordable land, skills and capacity, the development of strategic partnerships, a responsive and supportive planning system and the delivery of infrastructure.

The SFHA will continue to work with our members, the Scottish Government, local authorities and other partners to create the conditions that allow 50,000 affordable homes to be delivered across Scotland in the next 5 years.

POST SCRIPT – IMPACT OF UK SOCIAL SECURITY CHANGES

We consider that the SG, in this budget and in all its budgets from now on, will have to take a much more robust, well planned and accurately calculated approach to addressing the impact in Scotland of social security changes that the UK Government has made and which could have a deleterious effect on social housing. The obvious example is the impact of the ‘bedroom tax’, which the Scottish Government has, of course, committed to mitigating, but of equally gravity will be the effect of the application of the Local Housing Allowance (LHA) cap to social rented housing, the further lowering of the ‘benefit cap’ and the roll out of Universal Credit. At the very least the budget for Discretionary Housing Payments (DHP) should be increased until more sustainable solutions to the inevitable problems are identified and actioned.

We attach as an appendix our recent submission to the Social Security Committee of the Scottish Parliament on such matters.
Appendix

Submission to the Social Security Committee of the Scottish Parliament on SFHA’s social security priority concerns, to inform the Committee’s round-table event of 6 October 2016

**Benefit Cap:** From November 2016, the ‘benefit cap’ is being reduced from £26,000 to £20,000 per household, causing a tenfold increase in the number of Scots claimants affected (currently circa. 770). While those currently affected tend to live in higher-rent temporary or hostel accommodation, the lower cap will hit, in particular, families with 3 or more children living in general needs accommodation. The only recourse would be to apply for Discretionary Housing Payments (DHPs) but recent static DHP annual budgets make it unclear whether DHP will be able to do anything other than mitigate the ‘bedroom tax’.

**Universal Credit (UC) First Payment:** Under UC, claimants will have to wait around 6 weeks before they get their first payment: a 7 day waiting period before their claim is even considered, a calendar month for the assessment period and a 7 day administrative period for the payment to be made. This leaves claimants penniless in the interim. Under ‘legacy benefits’ (the existing benefits to be rolled up into UC) there is also a 7 day waiting period, but this does not apply to Housing Benefit (HB) which can be claimed from day 1. The housing element of UC, by contrast, is caught by the waiting period. Anecdotally, during the first stages of roll-out, SFHA members have reported decreased tenant income & increased tenant debt and reliance on food banks. This problem will only get worse as UC is rolled out to couples, families and claimants with complexities rather than just applying to single claimants meeting the initial ‘gateway criteria’ for inclusion in UC (who constitute the majority of cases at the moment).

**Universal Credit (UC) Roll-out Numbers and Complexity:** We now know that full roll-out will take until 2022 at the earliest. In addition to new geographical areas going over to the ‘full service’ (the latest name given to the Department for Work and Pensions (DWP)’s new administrative system for UC), the roll-out will also catch the full range and complexity of cases once the limiting ‘gateway criteria’ are removed. Roll-out will see an increase in DHP claims and therefore add to the complexity for Local Authorities (LAs) of administering them: Claimants must meet certain criteria to qualify for a DHP. Information as to qualification must go to the LA straight from the claimant because, even though the DWP holds that information, it does not, as a matter of course, share it with LAs. There is a huge challenge in scaling up: in May 2016 there were 5,900 social housing tenants getting housing cost paid via UC, compared with 244,614 social housing tenants of working age with HB awards. It should also be noted that HB and UC housing costs are not equivalent because certain service charges (for example, for certain adaptations for disabled people), which are eligible to be covered under HB, are not eligible to be covered by the housing element of UC.

**Local Housing Allowance (LHA) Cap to Shared Accommodation Rate (SAR) of HB for single under 35s:** This will catch many vulnerable people and there needs to be a range of exemptions if not actual or effective abolition. The SNP manifesto
commitment to mitigate removal of entitlement to HB for 18-21 year olds; whilst welcome; does not address this issue directly.

**Local Housing Allowance (LHA) Cap on HB for on Supported Accommodation (SA):** The Secretary of State for Work and Pensions recently announced that this policy will not be introduced until 2019 but that it will then apply to all existing and future tenants in SA. The lack of detail as to how the DWP will mitigate the effect of this in practice (which, admittedly, they have promised to do) is a disincentive for landlords to build or develop SA and creates significant anxiety for current SA tenants who now know that in 2019 their payments will be capped but know nothing about how that will be ameliorated. This takes place at a time when a growth in SA is needed as an effective alternative to institutional care. The DWP will be issuing a consultation on this matter in the near future.

**Social Security Powers Devolved to the Scottish Parliament:** We hope that the Committee will consider the Scottish Government (SG)’s approach to use of these powers in light of the above, the need for new and top up benefits (which are not referred to in the recent SG social security consultation) and the management of the transfer of powers and responsibilities from Westminster to Holyrood.