Local Government and Communities Committee

Scrutiny of the Draft Budget 2017-18

Submission from the Scottish Local Government Partnership

Local Government budget

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.

Local Government has unfortunately had to manage reducing levels of grant both in real terms and in cash terms in recent years. This is in an environment where Councils also face increasing costs from Pay agreements, increased costs of providing pensions through removal of NI benefits, introduction of the Apprentice Levy, and increasing Living Wage levels. In addition, 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 councils’ cost base.

Our expectation is that the trend of grant reduction is unlikely to change in the foreseeable future and that a more strategic approach needs to be adopted to the delivery of services in this restricted environment. The iterative nature of the reductions have given authorities very little scope to put in place a long term strategy to rebalance service provision in the most effective way.

It is also important to recognise that headline reductions in grant cuts do not reflect the reality of how grant allocations are affecting services. Over recent years, the Scottish Government has passed a range of new responsibilities and new burden funding to local government include for example new responsibilities linked to the Children and Young People Act, establishment of the Council Tax reduction scheme and Scottish Welfare Fund. Police and Fire Services changes have also resulted in reductions in Local Government funding. Allowances provided for Council Tax cuts
of £70m per annum also serve to distort the year on year comparable position for grant to show levels of cuts actually faced by councils. 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.

Councils do attempt to manage cuts in grant through more efficient practices and transformational change, with a view to minimising the impact directly on local services and the most vulnerable. However, this level of efficiencies is challenging to sustain. Short term measures alone cannot deal with the quantum of change required and therefore Councils are pursuing more transformational change in order to provide a more sustainable solution. These programmes focus on changing the way the services are provided and include: an increased use of ICT based systems; reviews of structures and staffing levels across all service areas; further developments of the shared services model; further enhancements in procurement; and a redesign of processes and services.

Ultimately the way services are delivered is evolving in a way that reflects the needs of the most vulnerable and the capacity of citizens to receive services however the speed with which budget reductions are required does not allow a managed transition between these two positions.

As Council grants are cut, and other services protected (including the requirement to maintain teacher numbers), the areas of councils budgets where reductions can be made grows ever smaller. The ability to limit real impact on local services reduces every year. The cumulative impact of these grant reductions and budget pressures has and continues to result in an erosion of traditional service levels and a reassessment of income generation options.

The recent report released by the Fraser of Allander institute shows the anticipated scale of cuts which the local government budget is likely to face. In light of protection of other services, the local government portfolio can be seen as the “balancing figure” in the overall Budget.

In responses prepared by Councils within the SLGP, the Committee has been called on to hold the Government to account for the impacts that a further significant cut to local government resources will have to the delivery of local services, and to remove the use of conditions tied to financial penalties in settlements. 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.

Councils have worked on prevention and early intervention programmes, tackling poverty programme, employability programmes at the same time as tackling wider cost pressures and a shrinking resource base. Specific programmes around worklessness, training, income inequality, nurture classes and shifting the balance of care are all examples of specific programmes designed to meet particular needs and inequalities identified within the communities. While programmes of this type remain key objectives of many Councils, it is impossible to ring fence every aspect of this work given the financial challenge. This is further exacerbated by prescription of more of the council’s budget in education and social work where sums have been earmarked for national policy priorities.

Councils within the SLGP were involved in an earlier Joseph Rowntree Foundation study on councils and their ability to assess social and community risks arising from spending decisions. Key messages from the output of that study echoed points around the lack of resources distributed in Scotland to tackle deprivation and associated inequality.

Points made by the Study should be considered by the Committee:

- 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. 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

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.

Councils would agree with the view that the need to find short term savings to deliver balanced budgets is promoting the need to develop new approaches and preventative action. Strategic capacity reduces as it seeks to deliver both the cuts and the reform agenda and the challenges of having to deal with legislative changes. There will be concern over the continued ability to deliver efficiency approaches for future years, as councils seeks to reduce cost whilst maintaining service levels.

Some Councils’ budget proposals each year are subject to an Equalities Impact Assessment which can identify both the individual and cumulative impact of budget changes over a number of years. The Committee is keen to see the development of a wider cost benefit model with partners to identify the impacts of decisions of all partners across local authority areas, and how the policy, service and spending decisions of individual partners affect each partner and the joined up service provided to individuals and communities.

The development of this type of joint understanding and working is both difficult to manage and resource intensive particularly in times of financial stress. It requires the commitment of all partners to a joint approach and understanding of each other’s policies and priorities. Without this there remains a significant risk that opportunities for making fundamental cross agency improvements in how public services are delivered is being missed because of the requirement to reduce spending to meet reductions in resources.

A specific concern relates to the announcement that the Scottish Government will bring into effect the Socio-Economic duty under the Equalities Act. This could require in law that all public bodies to ensure that all policies and decisions are evaluated to assess whether they are addressing inequalities of outcomes caused by social and economic disadvantages. It is urged that in doing this, the Scottish Government listens to the views of the Independent Advisory on Poverty & Inequality who has stated that critical to the duty’s success in practice will be buy-in from public bodies
and from people on low incomes and that guidance on how the duty should ultimately be framed is developed collaboratively.

*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.

Councils maintain an uncommitted general fund balance to hedge against unforeseen events and financial “shocks”. While Audit Scotland have insisted that all authorities should retain an agreed policy on reserves they have never identified what they believe to be the ideal level for each authority. The use of reserves to manage budget pressures does not represent long term solutions for savings, and that is recognised.

It is the view of some councils that, given the current financial uncertainty it is essential that authorities not only retain a minimum level of reserves but that these reserves are used to manage the impact of resource reductions over a longer period to allow the development of more strategic long term solutions as noted above. Reserves must be deployed to invest in redesigned services and then recovered once the benefits of this redesign have been delivered.

The aim for Council Financial officers is therefore to maintain an appropriate level of General fund reserve, in an environment of grant cuts. These cuts have been 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.

Some Councils have utilised reserves to support the release and delivery of savings in a planned way over short to medium term. Such approaches have been implemented to protect service and mitigate the risk of being required to make unnecessary cuts to services over the short term. Depleting these reserves to manage pressures in the short term could not be sustained longer term.
Given that the vast majority of local authority funding is provided by the Scottish Government, the provision of longer term funding projections even if only provisional, would allow a greater degree of stability in financial planning. This would provide a far better understanding of the actions that an Authority would be required to take and a more strategic response to financial challenges, including the management of General Fund reserves.

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?**

Whichever way the Scottish Government choose to define funding for local government does not change the pressures faced in delivering services in an environment of reducing funding.

Centralised control of local authorities through the application of specific conditions linked to grant settlements should be removed. 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.

It is concerning that functions (such as social care and education) receive protection from Scottish Government at the expense of the remaining local government functions. These functions then are required to make larger cuts to services, some of which we are obliged to provide through statute. This diminution of local decision
making by Local Authorities disperses the ability to work together with partners, and work towards achieving the best outcomes across all services.

Funding intended to support the delivery of services or outcomes delivered by councils should be held within the local government budget. Specifically, on the £250m health and social care funding – the reality of the funding was that it was partly for Local Government use (with restrictions on ensuring that Low Pay commitments were made), and partly for Integration Joint Boards to progress additionality (covering Health and Social Care). There was significant confusion, uncertainty and disruption to financial and strategic planning arrangements caused by the treatment of £250 million.

Housing Supply Budget

The housing supply budget for 2016/17 was around £690 million of which the majority (83%) was for spending on the Affordable Housing Supply Programme (AHSP) with the remaining £117m spent on other housing initiatives (mainly the Help to Buy (Scotland) Affordable New Build Scheme). Of this £572 million, £406 million is provided for local grant programmes with the remaining £166 million for the centrally managed programmes. See the SPICe Briefing 16/49 Housing Supply Budget for further information. The Scottish Government website also contains information about the AHSP at this link.

Over the next five years the Scottish Government's affordable housing supply targets have increased from 35,000 over the preceding 5 years to delivery of at least 50,000 units (of which 35,000 will be social rent) for the period 1 April 2016 - 31 March 2021.

In his response to the Committee the Minister for Local Government and Housing explained that “The Scottish Government will work with the sector to drive the best value from the Affordable Housing Supply Programme and promote below grant subsidy 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.”

We therefore invite views on the value for money and the effectiveness of these centrally managed funds (£117 million for other initiatives and £166 million for Affordable Housing Supply) in supporting housing supply. Centrally managed funds include the Help to Buy scheme, Open Market Shared Equity, Home Ownership Support Fund and other innovations such as the Local Affordable Rented Trust.

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?

The focus placed on increasing the overall supply of affordable homes is welcomed and in particular the financial commitment made over the next five years to assist with the delivery. The commitment to investment must however be aligned with robust and credible assessments of local housing needs and demand (HND). In relation to the centrally managed funding streams, there are some observations and comments which link to some of the other questions highlighted below: Overall the balance for the £690m funding 2016/17; 59% (£406m) is managed locally, 41% (£284m) is managed centrally. Although we can see the impact of some of the centrally managed programmes in some areas, particularly Help to Buy, we would welcome clarity on the priorities for these centrally managed funds. There is a need to consider and articulate how the funding held centrally contributes to the delivery of local as well as national outcomes, and local housing needs. It is unclear how they relate to Housing Strategy or Strategic Housing Investment Priorities, as well as how these programmes impact on housing market areas. These programmes need to be evaluated in this strategic context and used to inform the future development of the HND and Housing Strategy.

Support to Private sector

It is recognised that the wider objectives for the economy derived from increased output from house building; however, the level of funding directed towards assisting the private sector to increase the housing supply under the affordable housing ‘badge’ is significant.

In the case of most authorities, the real issue continues to be delivering programmes of affordable social rented housing that is remotely close to the assessed level of need, evidenced through HND and Local Housing Strategy (LHS) work, which highlights continued pressure from housing waiting lists and homeless households, to meet pressing housing needs.

Subsidised purchase schemes

This type of scheme can potentially address housing needs through facilitating movement within the housing system, though this would require further detail and explanation as to how this happens, backed up by available data. The Open Market Shared Equity Scheme (OMSE) Local Maximum Price Ceilings set defined purchase price thresholds by property size and area and more closely reflect to lower quartile market prices. Therefore, the relationship between OMSE and assisting households
that require assistance to meet their needs in the market place that might otherwise put pressure on Housing lists is clearer.

However, the extent to which the new supply through ‘Help to Buy’, which provides equity assistance for properties at over or around £200,000, would meet any affordability test would have to be questioned.

Over half (56.4%) of all centrally managed funding is allocated towards home purchase schemes rather than renting. This constitutes almost a quarter of total funding (23.2% of the 2016/17 budget, £160m of £690m) – Help to Buy (£80m) and Open Market Shared Equity (£80m). It is unclear the extent to which it can be clearly demonstrated that this is meeting an affordable housing need. SPICE figures show the average purchase price for Help To Buy is £189k. Applying the default affordability threshold used in the Scottish Government’s Centre for Housing Market Analysis Housing Need and Demand Assessment Toolkit, a household would need to have an annual income of £47,250. This can be contrasted to the Annual Survey of Hours and Earnings (ASHE) 2015 estimates which indicate average earnings for people in some SLGP areas to be around £21-22,000 per year.

**Other centrally held funding**

It is recognised that a number of other schemes which aim to lever additional funding for the delivery of housing or bring innovation to help address the challenge have to be welcomed. Again some of these schemes will meet a particular level of demand (mid-market, lower borrowing costs etc.) but may also be a function of the underlying problems in the wider or local housing market and access to mortgage funding, which continues to be the biggest obstacle to growth in the sector.

While it can be more efficient and appropriate to manage and distribute funding centrally, there are however, some elements of the budget which potentially would be better served as local funding streams which could be drawn from. In some instances it would make better sense to discuss access to funding solutions for locally identified challenges and proposals. Recently for example, relatively small amounts of funding have been made available for tackling town centre / long term empty homes issues.

Councils through their LHS, have identified the need for a coherent approach to tackling decline within town centres and long term empty properties – periodic challenge funding does not seem to reflect the complexity, scale or nature of the challenge. In addition, considerable effort, often wasteful has to go into preparing bids, deal with a time lag in appraisal and then be expected to deliver a complex project in a short period of time to achieve spend. Funding to assist feasibility
schemes would be helpful rather than these being ‘at risk’ and only recovered if successful.

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.)

As noted above, a significant amount of the overall housing budget is allocated to delivery of the non-social rented ‘affordable’ housing. As long as funding is available for other forms of supply, they will have the effect of changing the nature and way in which affordable housing supply outputs are delivered and recorded.

Given the focus upon the affordability of rent within the social rented sector a similar consideration of affordability of mid / full market rented properties would be appropriate.

Affordable housing investment should be aligned to the Housing Need and Demand Assessment (HNDA). We are concerned that the initial proposals in the Planning Review of May 2016 gives the National Planning Framework a new role in setting housing targets and may change the role of the HNDA. We would welcome further specific discussion with Scottish Government Planning colleagues on the particular issues in our housing market relating to our revised HNDA process.

Transfer of Management of Development Funding (TMDF) authorities have more flexibility around local funding streams, however, there is a need to ensure a longer term approach towards project funding for important investment streams such as Empty Homes, which are bringing hundreds of empty properties back into the housing supply but have no longer term certainty.

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)?

Role of Subsidy for Mid-market Rents (MMR)

The greatest pressure within Councils housing market area is on the social rented stock. The Private Rented Sector (PRS), in common with many other areas has grown rapidly over the last 10 years and represents more than double the registered social landlord (RSL) stock. However, out with the major cities, this PRS growth appears concentrated not in high value commercial properties, but in former local authority / Development Corporation / Scottish Homes properties which were sold under Right to Buy.

These properties are generally below average value and require investment to improve conditions and energy efficiency. For the most part, owners are single property landlords, often unintended. Information regarding segmentation of the PRS
is patchy, but available studies have indicated a narrow scope for mid-market, targeted towards particular income band households. Only in some areas is there a potential role for a 'mid-market' option, albeit for those schemes already completed, rents tend to be at the Local Housing Allowance (LHA) rate and similar to full market private rented stock, but generally popular because it is new and of a higher quality standard.

The HNDA identified a need for MMR in some areas and we are keen to support MMR development in keeping with strategic housing priorities. The national MMR scheme is at the appraisal stage and we are keen to see the outcome and welcome a transparent dialogue around the appraisal process with the Scottish Government. LARs is at the very early stages and is likely to be smaller in scale than other renting programmes, however, some developments are moving forward. Although NHT has not successfully stacked up in some local authority areas, we are keen to continue to explore the potential impact of Build to Rent opportunities.

Local Assessment of Housing Need and Demand

Setting national centrally directed targets for increasing subsidised market rental supply needs to be more closely aligned to assessment of local housing systems, which are set out in the LHS. In many areas, the key strategic risk is that this market intervention will cause detriment to the existing lower value PRS sector that has grown rapidly in recent years, further limiting the potential for much needed investment.

Whilst there is clearly demand for renting outwith the social rented sector, one of the key issues for tenants in either mid-market or PRS rented homes is the extent to which this would be their tenure of choice. Given the challenges with accessing mortgage finance and significant deposits to access owner occupation, saving whilst paying high rent levels is a barrier and perhaps one model might be for rents to become part of an increasing stepped equity share and ultimate ownership of mid-market homes. Innovative funding packages are useful, for example Charitable Bonds are being utilised by some RSLs adding to the options on offer.

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?**

Councils work well with delivery partners and the Scottish Government locally to use the Strategic Housing Investment Plan (SHIP) and Strategic Local planning Agreements (SLPA) process to plan and manage new build affordable housing programme. Resource Planning Assumptions (RPAs) have been outlined over a longer term planning period with minimum levels for future years. The intention to extend the planning horizon of RPAs to five years in line with SHIPs is welcomed. Whilst the focus is on a minimum RPA for planning, subject to annual confirmation of the full budget, it would be helpful if there were more certainty of a higher percentage RPA for a longer period of time. This would assist with programme delivery in that there would be greater certainty about the annual amount available. Given the commitment is to deliver 35,000 new affordable rented homes over the duration of the parliament, the likely total level of grant needed to support this annually will be closer to the year one figures in any case. Currently, RPAs that are provided are the absolute minimum level of investment that we should consider planning on. In reality to forward plan and have pipeline projects, we must assume a much higher level of investment.

It is recognised that local allocations are likely to vary in line with need and capacity to deliver, but this could help overall planning of the programmed outputs by allowing earlier virement between local and national budgets.

The SHIP is central to developing local programmes, but TMDF authorities would also welcome discussion on streamlining the SLPA process to best reflect how the programme is managed.

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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.

The flexibility in subsidy levels is welcomed. One of the key aspects of social housing development is that many of the development sites which are ultimately developed can be more expensive to develop as brownfield sites or indeed as part of wider regeneration programmes with other costs. Sites in certain areas often require significant remediation, which considerably adds to project costs, and there is a need for investment specifically to make these sites stack up financially even with increases in subsidy levels. Particular needs projects often exceed the benchmark and flexibility in this area is therefore welcome.

Access to sites on the open market is limited and there continues to be significant cost even when land becomes available through section 75 agreements. The pace of developing section 75 sites moreover is often determined by the pace of any private development and therefore difficult to programme.

We also feel that it is important that the focus upon achievement of the national target does not entail any overly crude comparison of unit costs. Building housing to varying needs standards which will meet the longer term needs of the tenants may be more expensive at the outset but will prove cost effective in the context of providing life time homes.

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.

In relation to housing to meet particular needs and for older people is often a challenge because of the changing nature of and certainty over revenue funding for support and this will continue to present challenges for providers. In this context, there is an opportunity for a clearer level of focus on housing issues with Health and Social Care Integration. Closer joint working locally to bring forward a shared vision of the housing contribution will work if matched by close joint working within ministerial portfolios.

One of the challenges many councils face is that the growing demand for care and support as well as access to specialist or sheltered housing comes from owner
occupiers who are seeking access to social rented stock. If models of shared equity for older people’s housing were available at a market level which enabled use of the value of the existing home to access appropriate housing, it would help meet a demand whilst improving the options open to older people for appropriate housing. Housing specifically for the elderly or people with special needs will have additional features such as common rooms which incur additional costs in the building of the development. As SG grant is calculated on the number of units and bed spaces these additional features can be seen as problematic by RSLs and their delivery is therefore not attractive due to the higher build costs and future maintenance which are not assisted by grant. Increased subsidy levels have not addressed these issues. Top up grant funding for some councils has assisted the delivery of many affordable housing schemes.

Applying a national grant level across Scotland may not be the most effective use of SG monies as this does not take into consideration local rent levels and delivery costs.

**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?**

The outcomes are ambitious and the commitment to funding is welcomed. Councils are aware however that whilst the biggest requirement is for new affordable social rented homes, there remain challenges in maximising potential outputs. The shrinkage in the development capacity for a number of RSLs following the crash in 2008 and subsequent reduction in grant has been compounded by considerations of the risks to business plans from welfare reform changes. 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. More information sharing on the centrally held budgets and innovation streams with local authorities as the strategic authorities would also be welcomed.

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. Realistic 5 year RPAs are absolutely required if local authorities are to plan an up-scaled programme with partners with certainty.

In some areas Stage 3 grants to RSLs for adaptation work are not working effectively. Some RSLs committed their full grant allocation from the Scottish Government for 2016/17. In effective this may mean that adaptations for disabled persons assessed as required will not be undertaken by RSLs until 2017/18.