



## Local Government, Housing and Planning Committee Evidence submitted on 06 February 2024

This is a submission to the committee ahead of an evidence session on February 20th into Housing to 2040

### Key messages

- Given the inflationary pressures on building costs, new higher housing standards and the reduction in the AHSP budget for 24-25 the target of delivering 110,000 affordable homes by 2032 is highly unlikely to be met. Although the outturn figures across 2023 indicated the target was already challenging ahead of the budget cuts. The impact of missing this target will be increasing housing need and increasing homeless presentations with many local authorities at risk of being overwhelmed by demand - unless there is front loading of money from the Scottish Government and a fast track review of how to deliver the AHSP programme up to 2032.
- While there is an abundance of academic work identifying failures to address the need to provide specialist and older people's housing, there lack of a response at local level in the supply and building of such specialist housing or make appropriate adaptations to existing housing.
- There are approximately 600,000 homes in the Scottish social housing sector, with 500,000 gas boilers which will need to be changed to clean heating systems such as heat pumps and heat networks by 2045. However, given the scale of the proposed changes and the costs involved, the Scottish Government must ensure that there is significant financial support for social landlords to deliver the transition to clean heating.
- The Scottish Housing Regulator has noted a rise in the number of registered social landlords (RSLs) reporting deficits in their analysis of the finances of the sector with 15 RSLs reported deficits in 2021/22 compared to seven and five in the prior two years. Given the uncertain economic situation it is possible the sector will undergo a period of introspection to safeguard organisational viability, which gives it less time and resource to focus on improving housing condition and housing outcomes for tenants.

### 1. Are we building enough homes or bringing enough homes back into use to meet Scotland's current and future housing needs?

The Scottish Government has set a target to deliver 110,000 social and affordable homes across Scotland by 2032. Of the 110,000, 70 per cent should be for social rent and 30 per cent "other affordable tenures" such as mid-market rent (MMR) and

low-cost home ownership. 10 per cent of the homes should be built in remote, rural and island communities.

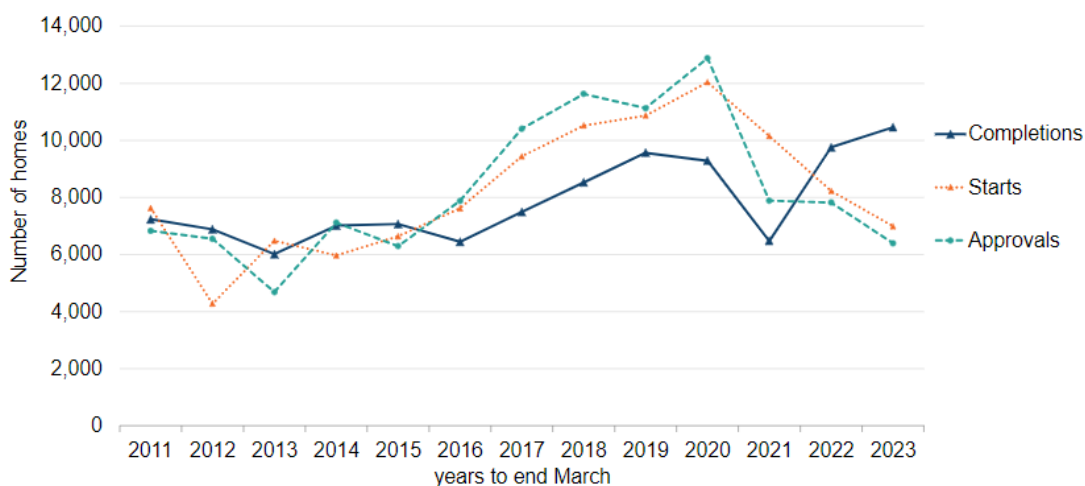
The Scottish Government contributes to the cost of delivery through the Affordable Housing Supply Programme (AHSP) with benchmark grant levels for local authorities and registered social landlords (RSLs) last reviewed in 2021. While guidance states that there may be some flexibility to award grants above the benchmark level, these applications are assessed on a case-by-case basis. It should be noted that within a finite budget, grant allocations above benchmark levels will impact the Scottish Government’s ability to deliver the overall affordable housing target and could influence decisions going forward if finances remain constrained.

The reduction in AHSP funding of almost £200m announced in the 24-25 draft budget will have an impact on delivery in the short to medium term and makes the target to deliver 110,000 homes challenging, if not impossible. For example, the Scottish Government publishes an annual report on AHSP progress and highlights from the 2021/22 outturn include:

- 7,820 approvals
- 8,227 starts
- 9,757 completions
- £671m total investment

While completions look relatively healthy and increased in 2021/22, a slowdown in site starts and approvals indicates that we will see fewer completions in the coming years.

For example in the year to end March 2023, the number of affordable homes completed has increased by seven per cent, whilst the number of homes approved has decreased by 18%, and the number of homes started has decreased by 15 per cent.



This trend continued throughout 2023 where the most recent out turn report (for September 2023)



showed a higher number of completions but lower number of starts and approvals than 12 months earlier.

### Average costs and the impact of inflation

It is increasingly clear that without additional grant funding from Scottish Government that the 110,000 homes target is unlikely to be achieved by 2032 as inflation has added significantly to the cost of each new home delivered. As such the reduction in AHSP funding announced during the 24-25 draft budget is also concerning. The AHSP out-turn reports suggest that average grant rates for RSL social rented homes has remained fairly steady at around 55 per cent of the total cost of each unit. The remaining costs are covered by the landlord through borrowing and ultimately paid for through tenants' rent.

Table 1: Average grant per home - RSL social rent

Financial Year	Average cost per home	Average AHSP funding per home	SG Funding Rate (%)
2017-18	£140,478	£79,860	56.85%
2018-19	£150,293	£83,660	55.66%
2019-20	£157,811	£87,994	55.76%
2020-21	£158,262	£85,553	54.06%
2021-22	£167,115	£94,598	56.61%

Source: [Scottish Government AHSP out-turn reports](#)

The Scottish Government in a [recent FOI request](#) confirmed a higher average cost of affordable homes of around £190k each to build - at a grant rate of 55 per cent this would mean an increase of funding to £104.5k per home. In addition, due to increasing costs associated with labour and materials, higher standards of energy efficiency and fire safety, and increased complexity in relation to procurement feedback from CIH members suggests average build costs of some homes in some parts of the country far exceeding the average figures published in the AHSP out-turn. While an [ALACHO/SOLACE paper from June 2023](#) notes higher building costs in rural parts of the country, with a cost of around £300,000 per home compared with an average of £200,000 across the country.

However in accepting an average build cost of £190,000, and a grant rate of 55% then in 24-25 are reduction of £196m will lead to 1866 fewer affordable homes being built.

### National acquisition programme

In order to speed up delivery of affordable homes and specifically to help local authorities deal with the number of households in temporary accommodation, the Scottish Government has committed £60 million from the AHSP budget for local authorities and RSLs to acquire homes on the open market. However, acquisition has always been a tool that social landlords have used to grow their housing stock and there is no evidence, so far, that this new funding has supported a significant number of new social housing properties.

## Homelessness

The latest annual [homelessness statistics](#) show:

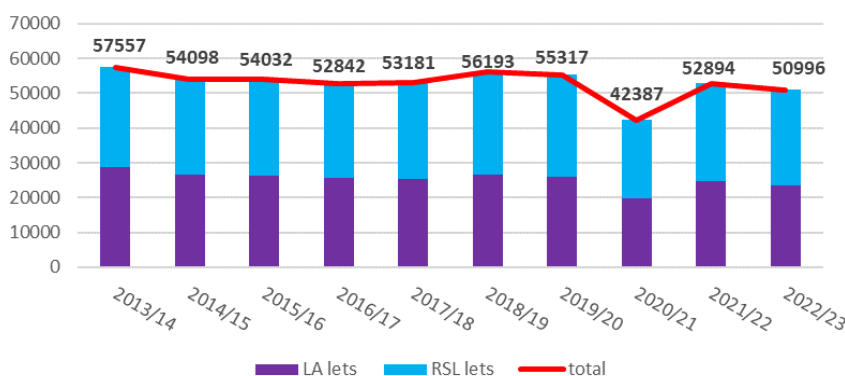
- 39,000 homeless applications during 2022/23, up nine per cent compared to the previous year, and the highest since records began;
- More households and children than ever in temporary accommodation, up six and nine per cent respectively;
- Longer stays in temporary accommodation, now averaging 223 days;
- More local authorities having to resort to the regular and repeated use of unsuitable temporary accommodation; and
- Increasing numbers of open cases as people face longer waits to be rehoused, an increase of 15 per cent to 29,652 households in 2022/23.

In addition to the official homelessness statistics, thousands of households are being accommodated in unrecorded temporary accommodation through resettlement schemes and may still present as homeless in the future with no indication that resources will be available to deal with additional demand.

At the same time, there has been a decline in the number of social lets available, limiting local authorities' capacity to meet rising demand across all groups of people in housing need.

Low turnover and lack of supply means that the number of lets available is still significantly below what would be needed to meet demand, not just for homeless households but for others in housing need. In addition, the total number of lets made by social landlords reduced significantly during the pandemic and has not yet returned to pre-pandemic levels. Lets by local authorities in particular remain lower.

### Graph 2: Number of lets (excluding exchanges) local authorities and RSLs



Source: [Scottish Housing Regulator charter data all social landlords 2020/21 - 2020/13 and 2013/14 - 2018/19](#)

The sector must also be mindful of meeting the needs of a range of households, such as those living in unsuitable housing or needing to move due to a change in circumstances. We do not want to engineer a situation where the only viable route into social housing is through making a homeless application.





Many are also struggling to access the support they need when they do seek help - 22 per cent of households presenting as homeless where there was a duty to assess support needs did not have an assessment carried out and no support was provided. In a further seven percent of cases where a support need was identified, it wasn't provided for ([Scottish Government homelessness statistics Table 57](#)). This lack of support puts households at greater risk of repeat homelessness.

These stark figures are not the result of local failures of policy or implementation, they are the result of systemic weaknesses in our housing system and failure to address them at a national level.

The Scottish Housing Regulator's [thematic review of homelessness](#) states that some local authorities are under such extreme pressure they are facing systemic failure. An update in [December 2023](#) concluded that some local authorities were no longer able to meet statutory homeless duties for everyone. The report last summer from [SOLACE, ALACHO and CoSLA](#) details significant pressures across housing and homeless services. The Scottish Government has acknowledged the scale of these pressures, but we have not yet seen a comprehensive response from the Scottish Government to these pressures.

Finally a recent survey undertaken by ALACHO also lays out the scale of the homelessness challenge facing local authorities. It reports:

- Twelve councils (37.5 per cent) assessed all three aspects of their service as "red", that is "struggling to cope, regular statutory breaches" with a further three (9.75 per cent) councils reporting two out of three Red. Two (6.5 per cent) reported three ambers but caveated this by saying that they were close to red on all three.
- Half the council in Scotland no longer have confidence that they can meet their statutory obligations all the time, only one reported that it was confident of meeting its duties all the time across all three questions. These results show widespread deterioration since May this year and a significant reduction in confidence when compared with the most challenging periods during the pandemic.
- Around a third of councils have reported that they are currently coping with service pressures, but the comments published with these results make clear the level of sustained effort required to achieve basic compliance in these areas and the fragility of current levels of performance.

### **Are we creating and sustaining a mix of housing that is financially and physically accessible to all?**

#### **Building standards**

Housing to 2040 sets out ambitions to improve the accessibility of homes and to align standards across housing tenures. New homes being built should be fit for the future, be digital ready and include space for home, work or study and outdoor space. All homes delivered with Scottish Government grant funding need to be built to minimum standards set out in the Housing for Varying Needs (HfVN) design guide first published in 1998. These standards are currently under review with



proposals to improve accessibility and adaptability of all new affordable homes. Proposed changes include additional space requirements for entranceways and corridors to allow for easier movement through buildings, colour differentiation on different floors of multistorey blocks to help with navigation, indoor space to allow for work or study, and private or communal outdoor space with room for sitting.

The consultation document estimates that the proposed changes would add £2,560 to the cost of a two bedroom general needs home, or £10,148 to a wheelchair accessible home. Larger homes over multiple floors would face higher costs. However, noting the above comments on housing building inflation, some in the sector have questioned the accuracy of the cost estimates especially given the final standards have not yet been agreed.

We also note the intention to maintain two distinct standards of accessibility, for affordable housing which will need to meet HfVN, and homes delivered through the private sector which will apply a new Scottish Accessible Homes Standard. We understand from feedback given at a Scottish Government online workshop that the intention is for the majority of accessibility standards (excluding wheelchair standards) to apply to homes built in the private sector but that there are limited powers for the government to impose standards on fixtures and fittings. For example, specifying lighting under wall mounted kitchen cabinets. If this is the case, the Scottish Government should consider how private developers could be encouraged to adopt standards (such as lighting) which may not result in excessive additional costs, but which could help improve accessibility across all housing tenures.

### **Existing and future needs for specialist accommodation**

There are no national targets for the provision of specialist housing but local authorities must show that they have taken the provision of specialist housing into account through their Local Housing Strategy (LHS). This should include wheelchair accessible housing, housing for older people, people with disabilities and people being discharged from hospital or another institution. Evidence suggests there remains significant unmet need for adaptations and wheelchair accessible housing across Scotland which is likely to increase as our population continues to age.

- The proportion of people ages 65 and over has increased from 16 per cent in 2001 to 20 per cent in 2021.
- Around 17,200 wheelchair users do not have suitable housing according the 2018 report, Still Minding the Step.

### **Accessible housing as a human right**

This [2018 report from the ECHR on the housing rights of disabled people](#) concluded that these rights have not been effectively protected in Scotland or elsewhere in Britain. It found that disabled people often experienced long waiting times before their housing needs were resolved, due in large part to shortages of suitable housing and insufficient resources to support housing adaptation. It also noted that those living in the private rented sector also faced problems because



landlords were often reluctant to allow adaptations. In addition, it found that people with complex needs remained at considerable risk of having to move to, or remain in, institutions. The EHRC called for urgent policy action, backed by sufficient resources, to address the needs of disabled people, including wheelchair users. In particular, it called for affordable and suitably designed or adapted homes that catered for the specific needs of a disabled adult or child plus the needs of other household members.

### **Housing Adaptations**

Adaptations play a pivotal role in supporting people so that they can live independently in their own homes. As the EHRC (2018) noted, however, unmet need for adaptations remains substantial and funding arrangements continue to deliver unequal outcomes for disabled people living in different locations and different tenures.

While as noted above the 2018 report published by Horizon Housing Association and North Star Consulting and Research, estimates there are around 87,340 wheelchair users in Scotland or 3.6 per cent of all households. Of these, one in four indoor wheelchair users say their home is not suitable for their needs. This is equal to 17,226 wheelchair users.

The Government has committed to a review of adaptations policy but a timescale or remit has not been agreed. We would suggest the government look at the findings of the Age Scotland/University of Stirling review of adaptations published last year. This recommends:

- Invest in local and national hubs for a 'one-stop shop' for adaptations support.
- Redefine and expand adaptations criteria to include wider consideration of support needs within the home.
- Review the suitability of the private rented sector for healthy ageing.
- Expand support for adaptations to include informal stages.
- Ensure consistent funding mechanisms between areas and tenures.
- Ensure that all Care & Repair services are funded appropriately.
- Increase support for effective partnership working between housing, health and social care.
- Link in wider housing condition surveys and carbon neutral ambitions to adaptation processes.
- Improve evaluation processes and existing outcome measures.
- Establish a good practice review on contractor procurement.
- Create a consistent, household approach to assessment across all tenures and throughout Scotland.

### **Older people's housing needs and aspirations**

Local authorities must carry out a Housing Needs and Demand Assessment (HNDA) to inform their Local Housing Strategy (LHS), Strategic Housing Investment Plan (SHIP) and Local Development Plan (LDP). The LHS has to take the provision





of specialist housing into account, including housing for older people, but there are no targets for delivery of different types of housing.

Age Scotland's [National Housing Survey 2023](#) showed that:

- 61 percent of respondents had lived in their current home for ten years or more, only four percent had moved within the last year.
- 55 percent owned their home outright (down from 60 percent in 2020), 12 percent rented from a housing association, 11 percent from the local authority, and ten percent rented privately.
- The majority felt that their home was suitable for their current needs (45 percent very suitable and 40 percent somewhat suitable).
- 38 percent felt that their home would still be suitable in the next ten years, 37 percent thought that it would not.
- 30 percent had made adaptations to their home since moving into it (53 percent were self-funders) and 24 percent said they had a requirement for an adaptation. Over half of these had waited more than four months.

While the majority of respondents to the survey thought their home was suitable and 42 percent did not intend to move home, 12 percent did were currently considering a move. The main reasons for wanting to move were that the home was expensive to heat, inaccessible, or required too much maintenance. Those considering a move would opt for a home that was cheaper to run (44 percent) and fully accessible (40 percent) and the preference would be for a new build home on one level e.g. a bungalow, flat, maisonette or apartment.

### **Are we building homes and retrofitting existing homes to provide for affordable warmth and zero emissions?**

The Scottish Government has a statutory target to meet net-zero carbon emissions by 2045. For the housing sector this will mean improving the energy efficiency of homes as far as possible to minimise fuel consumption and the majority of homes moving to “clean” heating systems such as heat pumps or district heating networks by 2045.

The Scottish Government's Heat in Buildings (HiBS) strategy estimates that it will cost £33 billion to bring all homes and non-residential buildings up to standard and the vast majority of this will need to be leveraged from the private sector. The government is currently consulting on a new HiBS Bill which would set minimum energy standards for the private sector and make provisions for the phasing out of gas boilers.

The Scottish Government is currently consulting on a new Social Housing Net Zero Standard (SHNZS) which will replace the Energy Efficiency Standard for Social Housing (EESH2). The consultation sets out proposals for a new minimum fabric efficiency rating and requirement to replace polluting heating systems by 2045. There will be some exemptions designed to ensure that work is cost effective and carried out in the best interest of tenants.





There are approximately 600,000 homes in the Scottish social housing sector, with 500,000 gas boilers which will need to be changed to clean heating systems such as heat pumps and heat networks by 2045. The Scottish Government currently [estimates](#) that the average cost to convert a home to clean heat will be £14,000 with an estimated capital cost of around £4.6 billion for the overall transition to clean heating across the social housing sector. In addition, energy efficiency improvements are estimated to cost £1.28 billion. Support for social landlords includes:

- A £200 million Social Housing Net Zero Heat Fund (available to social landlords until 2026) to support the retrofit of existing housing stock.
- For projects in rural areas, grant funding will be increased by 11 per cent and in remote areas by 22 per cent.
- In 2023, the Scottish Government launched the £250,000 Social Housing Net Zero Development Fund to support the social housing sector with applications that can be completed by 31 March 2024.
- A £300 million Heat Network Fund which makes capital grant funding available to public and private sector organisations to support the roll out of zero emission heat networks across Scotland.
- A Green Heat Finance Taskforce has been established to explore ways to encourage a greater flow of private finance to help property owners access the necessary investment in a form which works best for their individual circumstances.

The sector has already made an important contribution to improving the energy efficiency of its stock and helping to meet the Scottish Government’s climate change targets. In 2019 56 per cent of social housing was rated EPC C or better and this increased to 65 per cent in 2021, putting the sector in a position to champion zero emissions heat measures in the most efficient parts of its stock. See Scottish Housing Condition Survey 2021 table below.

**Table 2.8: Percentage of dwellings by EPC band and tenure in 2021**

[\[note 1\]](#) [\[note 4\]](#)

<b>EPC band</b>	<b>Owner occupied (%)</b>	<b>Private rented (%)</b>	<b>Social sector (%)</b>	<b>All Tenures (%)</b>
A (92-100)	[low]	[w]	[low]	[low]
B (81-91)	4%	7%	6%	5%
C (69-80)	43%	44%	59%	47%
D (55-68)	38%	35%	28%	35%
E (39-54)	11%	9%	6%	10%
F (21-38)	3%	5%	1%	3%
G (1-20)	0%	1%	[w]	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Sample size (number)	2,100	423	651	3,174



However, given the scale of the proposed changes and the costs involved, the Scottish Government must ensure that there is significant financial support for social landlords to deliver the transition to clean heating and must continue to work closely with social landlords to identify and respond to issues and challenges as they arise. This was supported by an [Audit Scotland report](#) published earlier this month stating, “The Scottish Government will not be able to phase out fossil-fuel home heating systems by 2045 unless it significantly increases the scale and pace of activity.”

**Are we ensuring that new and existing homes are safe and of a high quality**

**ALACHO Human Rights report**

In 2021 an ALACHO paper explored what outcomes/ indicators might help to:

- define adequate housing;
- tell us about the numbers of households that fall short of fully realising their right to adequate housing; and
- identify data improvements to support better informed policy decisions in respect of the right to adequate housing and monitoring progress towards its full realisation.

**Table 2: Core and variant estimates of households and people that fall short of adequate housing**

	Households		Population	
	Number	Percent	Number	Percent
Central estimate of adequate housing (EPC Band D & below and 25% affordability ratio)	1,832,000	74	3,771,000	69
Variant 1: EPC Band E and below	1,154,000	47	2,271,000	42
Variant 2: 30% affordability ratio	1,750,000	71	3,608,000	66
Variant 3: EPC Band E and below and 30% affordability ratio	1,021,000	41	2,014,000	37
Total households /population (2018)	2,477,000	100	5,438,000	100
All figures rounded to the nearest 1,000				
Note: Total Households based on SHCS 2018 and total population based on NRS 2018 population estimates				

The range of estimates reported in the table above underlines how sensitive the overall estimate is to how the variables are defined and shows that:

- The living conditions of 1,832,000 households (74 per cent) fall short of the standards implied by the right to adequate housing.
- Even using the more stringent indicator definitions as detailed in variant 3, around 41 per cent of households and 37 per cent of Scotland’s population would be at risk of falling short of adequate housing standards.
- For each of the three estimates, the large majority of households falls short on just one element, typically energy efficiency. In the case of the central estimate, 1,239,000 households fall short solely due to this measure.

Who is at risk from non-adequate housing?

- Single person households are at greater risk of living in non-adequate housing than other households. In particular, over 40 per cent of single adult



households under the age of 65 years that are inadequately housed fail for two or more reasons.

- The proportion of private renters that live in homes that fall short of being adequate is higher than for all other tenures, with almost half of private renters living in homes that fall short of providing adequate housing for two or more reasons.
- Couples where both partners are in work are significantly less likely to occupy inadequate housing than households where only one person is in work or no one is in work.
- Those living in rural areas are at greater risk of residing in non-adequate housing.
- The central estimate suggests that problems of affordability and energy inefficiency are experienced in parallel by around 275,000 households, of which over half are owners (34 per cent) or private renters (25 per cent).

### **Social Housing Charter Returns 22-23 and rent affordability**

Almost nine out of 10 social housing tenants are satisfied with the homes and services their landlord provides. Areas that matter most to tenants:

- Emergency repairs response time remains at 4.2 hours for the third year.
- Tenants satisfied with the quality of their homes decreased slightly to 84 per cent.
- Tenants satisfied that their rent is good value for money decreased slightly to 82 per cent.
- Average weekly rent in 2022/23 increased to £87.59.

We note that [according to CityLets](#) the average rent charged by the PRS in Scotland in April 2022, was £206.70 per week while according to SHR the average rent level in Scotland in 22-23 was £87.59. The lower rents charged by social landlords save their tenants, on average, £119.11 each week or £6,193.72 each year.

### **Sector Resilience**

The Scottish Housing Regulator has noted a rise in the number of RSLs reporting deficits in their analysis of the finances of the sector with 15 RSLs reporting deficits in 2021/22 compared to seven and five in the prior two years. The SHR has acknowledged that the sector has faced, and continues to face, considerable financial challenges including the ongoing economic uncertainty and volatility from ongoing inflationary pressures, high interest rates, from the war in Ukraine, Brexit, the pandemic, Scottish Government Intervention on rent setting and increasing requirements to address the quality of homes, including on energy efficiency and decarbonisation.

It is possible, if not likely that recognising the increased costs of operating and increasing levels of arrears among RSLs that some may seek partnerships or mergers with other associations in order to deliver best value for their tenants. Such



a focus will undoubtedly divert sector focus on delivering services and homes for tenants and customers and compromise landlords ability to improve the quality of their homes.

### **About CIH**

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