CHARTERED INSTITUTE OF HOUSING IN SCOTLAND

WRITTEN SUBMISSION

CIH Scotland is pleased to have the opportunity to give evidence to the Committee on the progress of the Scottish Government's budget pledges as originally set out in 2011 in relation to the three year period 2012/13 to 2014/15. Our submission is relatively short, focusing primarily on the main element of the housing budget – the Affordable Housing Supply Programme (AHSP).

In a nutshell

Since the original three year housing supply budget of around £638m was first set out in late 2011, numerous significant additions have been made, resulting in a budget currently standing at £970m for the period 2012/13 to 2014/15. The Scottish Government has also increased the 'per unit' grant rate available to councils and housing associations by £16,000. Both the increased programme funding and the grant rate rise have been warmly welcomed by CIH Scotland.

The original three year budget

The original housing supply budget for the spending period 2012/13 to 2014/15 was £638 million. This compared with housing supply expenditure of around £1.39 billion in the period 2008/09 to 2010/11[1]. The £638m was made up of £378m in the infrastructure and capital investment part of the budget and £260m in the local government settlement (this is because the affordable housing monies in Edinburgh and Glasgow are channelled through those two councils under 'TMDF' arrangements – the Transfer of the Management of Development Funding).[2]

When the original three year figure of £638m was announced, CIH Scotland and other housing bodies argued strongly that housing had taken a disproportionately big hit compared with the overall cut to the Scottish Government's overall capital expenditure budget. At that point we doubted whether the Scottish Government could achieve its five year target of 30,000 new affordable homes, of which at least 20,000 would be homes for social rent.

Additions since the original budget was announced

[1] 2008/09 to 2010/11 is the last three year spending period with which we can compare the current (2012/13 to 2014/15) round: the budget for 2011/12 was a single year budget of around £360m.

[2] All subsequent additions to the overall housing budget normally involve consideration of how monies will be split between these two components – or, put another way, how much will go to Edinburgh and Glasgow and how much to the other 30 local authority areas.

However, some of the shortfall has since been made up by a series of very welcome announcements of new funding, which have now brought the three year budget to around £970m. We estimate that around two thirds of the additional money has been awarded as a result of Barnett consequentials from spending announcements relating to England: the Scottish Government does not have to use such consequentials for housing purposes but, rightly in our view, has chosen to do so.

Notwithstanding the fact that in the original budget housing suffered a disproportionately large reduction, it has been reassuring to see the original budget supplemented to the tune of more than 50%. We believe the additional funding offers some reassurance that Ministers do understand both the immediate and longer term impact that housing has on the economy, as well as the beneficial impact in terms of health and education outcomes and the reduction of crime and anti social behaviour.

The increase in the grant rates for new council and housing association homes lifted the benchmark grant rate for new council housing to £46,000 and, for housing associations, to £58,000, with additional funding available for specific categories such as greener homes and remote rural homes.

The grant rates increase

The increased grant rates were in response to serious concerns among both councils and housing associations that the Scottish Government's annual housing supply targets (6,000 affordable homes of which at least 4,000 for social rent) could not be met in the coming years at what were then the current grant rates. The 32 local authority 'strategic local programmes' for 2012/13-2014/15 contain plans for 8,000 new homes to be started and finished by 31 March 2015: the increased grant rates will hopefully mean that a decent proportion can indeed meet this timescale, though it seems certain that a number will not be completed at least until 2015/16. The more recent announcements of additional funding for the three year period is intended to cover the extra cost of the higher grant rates.

Programme catch up now needed

The numerous (albeit very welcome) announcements of new money during the current spending period, alongside concerns at the impact of reduced grant rates, have meant that it is possible that the volume of completions in the overall period to 31 March 2015 will not be as great as the Scottish Government would have originally expected. In theory, this could have presented a significant risk of underspend, given that – as mentioned previously – in recent years most of the funding for a given development has been awarded only on completion. However, the recent undertaking to return to a system of staged payments for most projects should ensure that underspend in any given year is avoided. Such a mechanism also recognises that councils and housing associations are incurring significant costs well before completion of a project.

Funding for housing aspects of welfare reform mitigation

Along with other national housing bodies, CIH Scotland warmly welcomed the announcement of £20m funding being made available to augment local authorities' Discretionary Housing Payment budgets this year 2013/14, with the money aimed at assisting people hardest hit by the bedroom tax. With an overall bedroom tax liability of around £50m, we believe that the newly announced funding will go a significant way to alleviating the hardship faced by those worst affected.

However, we do not support calls for the Scottish Government to go further and fund the entire £50m bill. Notwithstanding the fact that providing further funding may take the Scottish Government beyond its powers, we feel there is an issue of proportionality here. Whilst the bedroom tax has understandably attracted most attention, other people too – such as tenants under 35 in the private rented sector – have suffered Housing Benefit cuts, and groups such as these appear to have been overlooked in the furore surrounding the bedroom tax.

The £20m funding is additional to the Scottish Government's existing expenditure on welfare reform mitigation, which includes £2.5m funding to help social landlords provide advice services to people affected by the reforms, and funding for national housing bodies, including CIH Scotland, to provide guidance, training and related support to councils and housing associations to help them tackle existing reforms and prepare for future changes.

The outline housing supply budget for 2015/16

The Scottish Government's recent announcement of a provisional £390m budget for affordable housing supply in 2015/16 was very much welcomed by CIH Scotland.

This not only consolidates the numerous increases we've seen to the existing (2012/13-2014/15) budget, but also represents an increase of around 21% on the average annual spend of £323m within the current programme. As well as meaning that the recent increase in grant rates is being fully funded, we believe the announcement also signals the Scottish Government's commitment to funding those types of provision which are more expensive, such as difficult regeneration sites, wheelchair housing and housing in remote rural areas.

We believe the outline budget is also a commitment to keeping social housing rents in Scotland genuinely affordable to people in low paid work – something which has long since been given up on down south.

It may be that funding at these levels will enable the Scottish Government's housing supply targets to be exceeded in future years, but right now the priority for councils and housing associations will be to forge ahead with the house building programme in the knowledge that grant rates, and the overall funding available, are significantly higher than we would have dared to imagine 18 months ago.

Chartered Institute of Housing in Scotland
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