

Housing and the Budget for 2011-12

Briefing from Shelter Scotland

Key message: the budget for housing and regeneration has been the single biggest loser in the draft 2011-12 budget, falling by 34%, in real terms, between 2010-11 and 2011-12. This will put pressure on new housing supply at a time when there is rising demand for accommodation. It will also lead to increased rents at a time when Whitehall is looking to cut the housing benefit bill. Local government budgets such as housing support, homelessness and housing advice may also feel the chill wind of cuts despite their proven cost-effectiveness. Legal aid budget reductions may reduce access to justice.

The Budget for Housing

The housing budget falls within the Health and Wellbeing portfolio. However, the published figures in the draft Budget do not give the full picture, so this briefing provides a more comprehensive assessment than is available, at this stage, from the Scottish Government.

Housing and regeneration budget 2010-11 to 2011-12			
	2010-11	2011-12	Difference
Stated budget	£488 million	£394 million	- £94 million
Investment previously brought forward (1)	£120 million	-	
T MDF for Glasgow and Edinburgh (2)	£119 million	£98 million (2)	
Total budget	£727 million	£492 million	- £235 million
% change 2101-11 to 2011-12: 32% in cash terms; 34% in real terms			
<p><i>Note (1) - £120 million extra was originally earmarked in the 2007 CSR for investment in 2010-11 but was drawn forward to 2008-09 (£40 million) and 2009-10 (£80 million). Last year ministers argued that, for budget comparison purposes, this £120 million should be treated as still being in 2010-11. So this is what we have done.</i></p> <p><i>Note (2) – This is an updated figure from earlier briefings and is now based on the local government finance settlement issued on 9 December 2010. T MDF is an arrangement whereby the responsibility for funding housing associations and other suppliers has transferred from the Scottish Government to Glasgow and Edinburgh City Councils, for their respective areas.</i></p>			

The overall housing and regeneration budget is made up of a number of spending headings. In the draft Budget the spending headings have been radically altered from previous years. Ministers will argue that this is better to reflect overall Scottish Government priorities but it has the knock-on effect of making detailed comparison (at level 3) impossible at this stage.

The published figures in the Budget show the housing and regeneration budget falling by 19% in cash terms. However, by adding in the missing data Shelter Scotland can show that the cut is actually 32% in cash terms and almost 34% in real terms.

The impact of the cuts

Until we get more detail we cannot tell fully what the impact of these cuts might be if they were to be confirmed in the final Budget. The Scottish Government has argued that the overall programme will produce 6,000 new affordable homes. While such a level of output would be welcome, if achieved, we would be sceptical if it can actually be done. Moreover this level of output includes grants for low cost home ownership and the funding of higher-rent properties through the National Housing Trust, which require less funding per house but serve very different needs than low cost, social rented homes.

Most of the budget is earmarked for existing commitments. Only around £50 million is available for new programmes.

So, even at this early stage we can predict:

- A reduction in the number of new affordable rented homes – offering little respite to 161,000 families on council house waiting lists and over 10,000 households stuck in temporary accommodation.
- Pressure to increase rents above inflation, at a time when the housing benefit bill is under intense scrutiny at Whitehall.

While the main priority is to enhance the overall level of capital spending, Shelter Scotland has also developed a proposal to allocate a modest amount from the uncommitted £50 million to re-use empty homes. We argue that this would be a cost effective way of meeting housing need and councils would receive additional council tax revenue from long term empty properties brought back into use¹.

Other relevant budget headings

There are a number of other budget headings which impact on homeless and badly housed people.

¹ So, for example, Scottish Government funding of £1 million could be matched by a similar amount from this income source. Since 2004 councils have had the power to reduce the council tax discount on properties empty for longer than six months from 50% to 10%. All of this *additional* revenue has to be earmarked for spending on affordable housing. At present, around £6 million is raised annually in this way.

1. Local government

Most obviously, the reduction in local government revenue funding by 2.6% in cash terms will put pressure on a number of budgets which are not protected. Funding for **housing support** for vulnerable people has declined by around a third since ring-fencing was removed in 2008-09. It was around £400 million in 2007-08 but is budgeted to be around £274 million in the present year, 2010-11. As it is not ring-fenced there is no figure for 2011-12 but since it has already fallen dramatically in the context of a rising overall budget, it is likely to feel additional pressure in a declining budget.

Housing support is what makes the difference between people staying in a tenancy or not. Cuts would be a false economy and would simply increase pressure on social work, health and other budgets.

Similarly, core **homelessness** money is provided as part of the general revenue settlement and is estimated at £73.5 million in the present year. However, the biggest cost to the homelessness service is in provision of temporary accommodation, most of which is covered by housing benefits. Changes planned by DWP to the ways that temporary accommodation is funded if leased from private or RSL providers will cut this budget and so put more pressure on the core homelessness budget.

Another area of housing-related expenditure which may be vulnerable to cuts is **advice, information and advocacy work**. At a time when the Scottish Government is seeking to promote greater housing choice, this would be a mistake.

2. Legal aid

The budget for legal aid is falling from £168 million this year to £154 million next year. Legal aid is used, for example, by households defending repossession action by lenders. Cuts to the budget may increase the number of people who are not eligible for assistance; or may cause some private practices to withdraw from legal aid work altogether, accentuating an existing problem of access to representation in some areas.

3. Change fund for health and social care

£70 million has been allocated from the Health Budget for a Change Fund for NHS Boards, working with local authorities to develop services which will enable older people to live independently in their homes and so ease pressure on hospital admissions and care home provision. This is to be welcomed but it is essential that Care and Repair projects and other housing initiatives which assist people to stay in their own accommodation should be able to access this funding.

Priorities, priorities

The Scottish Government will argue that it has to work with a fixed budget. But the Independent Budget Review (IBR), in July, made a strong plea for capital investment to be spared the worst cuts. This has not saved the housing and regeneration budget, while building a third road bridge over the Forth has been retained. The capital budget allocated to the bridge rises from £30 million to £200 million in 2011-12. The same IBR argued for road-user charging to be investigated – a possible way of funding new capital investment in the future. Finally, the IBR argued that non-means tested entitlements like concessionary travel were luxuries. Despite this, they remain unchanged. In other words, government ministers had choices even within a fixed budget. These choices remain as the budget goes through parliament.

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