

## Scrutiny of the Draft Budget 2013-14 for the Infrastructure and Capital Investment Committee: Evidence from Shelter Scotland 17 October 2012

### Key messages

- Shelter Scotland welcomes the additional funding for affordable housing announced in the draft 2013/14 budget and the emphasis put on investment in housing. This increase goes some way to repairing the disproportionate cut to housing in the original budget for this spending review period. **It is however, a concern that the scale of the affordable housing deficit in Scotland – particularly socially-rented housing - is still not reflected in the Scottish Government budget<sup>1</sup>.**
- There is very little transparency around the housing budget which makes detailed scrutiny of how the budget will be spent across the spending review period very difficult. Without scrutiny of the Level 4 data for the 2013/14 budget, it is impossible to understand how the affordable housing budget is being allocated for the forthcoming year.
- Our understanding is that the affordable housing budget for this 3 year spending review period (2012/13 to 2014/15) totals £770m. **This represents a 45% cut in cash terms over the spending review period as compared to the previous spending review period of 2009/10 - 2011/12<sup>2</sup>.** The Scottish National Party (SNP) made a manifesto commitment to build 30,000 socially rented houses over the lifetime of this parliament which equates to around 6,000 a year. In Government, Scottish Ministers revised this down to 30,000 *affordable* homes of which only two thirds would be for social rent.
- With more than 157,000<sup>3</sup> people on council house waiting lists across Scotland, **Shelter Scotland has long been campaigning for a commitment to build 10,000 socially rented homes a year** building on the analysis carried out by Professor Bramley in 2006 commissioned by the Scottish Government<sup>4</sup>. This research was carried out before the recession hit and Shelter Scotland urges the Scottish Government to undertake new national analysis to reflect current need, market conditions and priorities.

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<sup>1</sup> We have focused specifically on the affordable housing budget because: a) It is the biggest part of the budget and commonly regarded as the litmus test for housing commitment and b) Other organisations giving evidence will look, for example, at energy efficiency spending.

<sup>2</sup> Shelter Scotland correspondence with Scottish Parliament officials November 2011

<sup>3</sup> Scottish Government housing statistics <http://www.scotland.gov.uk/Topics/Statistics/Browse/Housing-Regeneration/HSfS/HousingLists> (Published August 2012)

<sup>4</sup> 'Local housing need and affordability model for Scotland (update)' Bramley et al (2006) [www.scotland.gov.uk/Resource/Doc/1035/0085202.pdf](http://www.scotland.gov.uk/Resource/Doc/1035/0085202.pdf)

- Recently published statistics on completions of affordable housing in 2011/12 is reasonably consistent with the 30,000 target but this will largely reflect building work started in the previous spending review period with much more generous grants than currently envisaged. Moreover, there was a considerable decline in the number of affordable houses started last year which suggests problems in getting building projects off the ground and may lead to difficulties in delivering on the Government's targets.
- The level of grant subsidy per house suggested by the budget is extremely low if targets are to be met. Whatever proportion of the affordable housing budget is allocated across local authorities and housing associations, Shelter Scotland shares the concerns of other housing organisations that the Scottish Government has not fully explored how the target will be achieved with grant rates at this level and what the possible consequences might be on quality of the houses built, rent levels or both. Longer-term this low level of subsidy is unlikely to be sustainable.
- Ongoing reform of the welfare system will have a significant impact on the demand and affordability of social housing for low income households in Scotland with corresponding implications for the ability of councils and housing associations to invest in future house building on the back of loans funded from rental income.

## Introduction

Shelter Scotland welcomes the opportunity to put forward evidence on the recently published Scottish Government Draft Budget for 2013/14. Without scrutiny of the Level 4 data, it is impossible to assess the budget implications for the supply of affordable and socially rented homes in the forthcoming financial year.

Information supplied by Scottish Government officials for the 3 year spending review period as a whole, suggests that the overall budget for affordable housing (the main part of the overall Housing and Regeneration budget plus the funding for affordable housing contained in the Local Government budget) stands at £770m including the additional £40m announced as part of the 2013/14 budget.

**That represents, in cash terms a reduction from £1.39bn which is 45% compared to the previous spending review period.**

Spending Review period		
	2009/10 – 2011/12	2012/13 – 2014/15
Affordable Housing Budget	£1.39 billion	£770 million
Total number of <b>affordable houses</b> completed:	22,205	<i>Target 18,000</i>
Number of <b>socially-rented houses</b> completed:	15,690	<i>Target 12,000</i>

## Delivery of affordable housing

Shelter Scotland's view is that **the greatest priority for government investment should be for additional social rented housing**. Within the Scottish Government's revised target of around 30,000 affordable homes there is a commitment to build at least 20,000 socially-rented houses. In Shelter Scotland's view, this is insufficient and that while welcome, other forms of affordable housing (mid market rent and subsidised owner occupied housing) cannot substitute for socially rented housing. It is too early to appraise the success of the first year of the Affordable Housing Programme since there is no information available on the allocation of funding in terms of location and type of housing being built and output data will not be available until August 2013.

These other forms of affordable housing (mid market rent and subsidies for owner occupiers) traditionally rely on smaller direct subsidy. It can, therefore, be assumed that a large proportion of the £770m 3 year budget is for local authority and housing association subsidy for the delivery of socially rented homes. In purely numerical terms, the £770m budget will only be able to deliver 18,000 affordable homes over three years (around 6,000 per annum) if the per house grant subsidy is drastically cut to in the region of £35-40k. Historically, grant rates for affordable housing have been much higher and it is unclear if this low level grant is practicable or sustainable. In 2010/11 the average grant per unit was £57k and in 2008/09 it was £71k<sup>5</sup>.

Overall, Shelter Scotland believes that the benchmark for new build affordable housing should build on the Bramley research<sup>6</sup> and we believe that **at least 10,000 affordable homes should be built each year to meet housing need**. Given the economic pressures and the impact of welfare reforms, we would welcome updated Scottish Government research on national housing need. The level of need suggested by the following:

- There is a projected increase of just over 21,000 households in Scotland per annum over the period 2010 to 2035<sup>7</sup>;
- Since 1979 490,000 homes have been sold off through Right to Buy<sup>8</sup>. Although the number of RTB sales has fallen considerably in recent years, we still lost over 2,000 homes in 2010/11.
- 157,700 households were on local authority house waiting lists (excluding transfer requests) in March 2012;
- Over 35,000 households were accepted as homeless or potentially homeless by local authorities in 2011/12<sup>9</sup>

<sup>5</sup> <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/investment/ahip/AHIP201011Report>

<sup>6</sup> 'Local housing need and affordability model for Scotland (update)' Bramley et al (2006)  
[www.scotland.gov.uk/Resource/Doc/1035/0085202.pdf](http://www.scotland.gov.uk/Resource/Doc/1035/0085202.pdf)

<sup>7</sup> Projections from the latest GRO Scotland publication (2010) predict 21,000 a year over the period 2010-2035 but in the shorter term that growth will be 23,000 households per annum between 2010-2020.  
<http://www.gro-scotland.gov.uk/files2/stats/household-projections/2010-based/2010-based-household-proj-publication.pdf>

<sup>8</sup> <http://www.scotland.gov.uk/Topics/Statistics/Browse/Housing-Regeneration/HSfS/Sales>

## Impact of welfare reforms

Shelter Scotland believes that the impact of changes to the welfare system will have serious negative consequences on some of the most vulnerable households across Scotland. At the same time as local authorities are cutting budgets and withdrawing contracts for advice and support services, we are seeing an increasing demand for informed advice and information as people struggle to manage financial pressures and rent/mortgage payments<sup>10</sup>. The knock-on effect could potentially put increased pressure on household budgets and increase the numbers of people who find themselves homeless or threatened with homelessness.

Our main concerns relate to:

- **Payment of Universal Credit directly to recipients, 1 month in arrears:** increase cost of rent collection; higher risk of falling into rent arrears
- **A reduction in housing benefit for those who are ‘under occupying’ a property:** increasing demand for smaller properties against a backdrop of limited supply
- **Changes in benefit entitlement for private tenants:** particularly limiting housing benefit for under 35 year olds to the shared room rate

Collectively, these changes will impact on the ability of some households in the social rented sector and households who are looking for housing in that sector, to meet the rental charges set by social landlords. In turn, this may impact on the financial viability of social landlords and their ability to borrow for future house building. The impact of changes to housing benefit allowance in the private rented sector (PRS) could also impact on affordability of mid-market rental (MMR) developments.

It is unclear if the Scottish Government has considered the implications of the welfare reform programme in their planning for the delivery of affordable housing both in terms of financial capabilities of social landlords and on the types of housing that are increasingly in demand. It is critical that the Scottish Government utilises the funding made available by the Westminster government specifically for independent advice in face of welfare reforms, to continue to fund vital money and debt advice services.

## Conclusions

Shelter Scotland remains concerned about investment levels in socially rented housing and the ability of local authorities and housing associations to deliver the number of socially rented houses required to meet housing needs. Although the Scottish Government hopes to achieve its target of

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<sup>9</sup> While recent Scottish Government statistics have shown a reduction in the number of homelessness applications potentially as a result of increased homelessness prevention activity, it is too soon to truly understand the reasons behind this reduction and whether it reflects changing practices or a real reduction in housing need.

<sup>10</sup> Shelter Scotland saw a 20% increase in calls to our National Housing Helpline in July 2012 compared to the same period last year [http://scotland.shelter.org.uk/news/august\\_2012/rise\\_in\\_number\\_seeking\\_housing\\_advice](http://scotland.shelter.org.uk/news/august_2012/rise_in_number_seeking_housing_advice) Citizen's Advice Scotland recorded 15,000 more cases in 2011 than in 2010 <http://www.bbc.co.uk/news/uk-scotland-16125144>

around 6,000 houses per year through reduced subsidies and other measures, there are question marks about the longer term viability of this strategy and its ability to help those most in need.

Contact: **Debbie King** 0344 515 2447 or [debbie\\_king@shelter.org.uk](mailto:debbie_king@shelter.org.uk) / **Murdo Mathison** 07967503909 or [Murdo\\_mathison@shelter.org.uk](mailto:Murdo_mathison@shelter.org.uk)