

# Submission

## Building solutions: Shelter Scotland's submission to the Budget 2010-11

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# Shelter

## Building solutions

### Summary

'Building solutions' is Shelter Scotland's submission in advance of Scottish Budget which goes to Parliament in the autumn of 2009. It follows our earlier report, 'Building pressure' in which we described the increasing difficulties in gaining access to housing.

- The Scottish Budget is a landmark budget for housing policy: it will set out plans through to 2012-13, the year in which the internationally-acclaimed homelessness commitment – to offer all homeless people a permanent home – has to be met.
- There is already significant pressure in the Scottish housing system, shown by rising house waiting lists, fewer lets becoming available and far greater numbers of people stuck in temporary accommodation.
- Housing tops the list of issues on which MSPs get letters or representation at surgeries.
- Scotland needs 10,000 affordable rented homes a year for the next three years – 30,000 in all – in order to meet both its homelessness commitment and address the backlog of people on house waiting lists.
- A programme of 10,000 homes per year – built by both Registered Social Landlords (RSLs) and councils – would cost an extra £200 million a year on top of what is already in the Budget for 2009-10.
- This **additional** £200 million we are calling for each year is around 0.6 per cent of the Scottish Budget.
- However, based on existing plans the budget for affordable housing is due to decline by 30 per cent in 2010-11 as a result of earlier decisions to 'front-load' spending in 2008-09 and 2009-10.
- Some of the additional money could be found **within** existing budgets: for example, from re-assigning some of the money allocated to low cost home ownership schemes. However, extra money is also needed to come **into** the housing budget.
- A programme of this scale would have significant spin-off effects:
  - A dramatic reduction in the use of costly temporary accommodation;
  - £331 million a year in additional funding through private finance.
  - Around 16,000 jobs sustained in construction and supplier industries;
  - A range of less easily quantifiable impacts: better health, improved participation in education and stronger communities.
- In the year of Homecoming Scotland celebrates its achievements in the world. The 2012 homelessness commitment is an achievement that is rightly lauded internationally and the eyes of the world are on us in this period.
- The Budget should be a Budget for Homes.

## 1. Introduction

This paper sets out our thinking as Shelter Scotland and forms our submission to the Scottish Government's Budget preparations for 2010-11 (and the two years following). In the normal tide of politics this would be the occasion of a bi-annual Comprehensive Spending Review. In light of the fact that there will be a UK General Election before the summer of 2010, the UK Treasury has decided to suspend any spending review until after that event, with knock-on effects on the devolved administrations.

However, this is still a landmark budget for Scotland, and, in particular for housing policy. The budget will take us through to the financial year 2012-13, during which year the internationally-acclaimed homelessness commitment must be met. The commitment, which sets out, in statute, a requirement to provide permanent accommodation to all unintentionally homeless people, was set in 2002 with an explicit recognition that additional funding would be needed to ensure that it was met. However tight the financial context, the meeting of a statutory commitment cannot be undermined by failure to provide the necessary funding. It is well-recognised that the critical factor in meeting the 2012 commitment is securing a greater flow of affordable rented homes<sup>1</sup>.

In this submission we summarise the case for more affordable homes, assess recent and projected trends in investment, set out what we believe needs to be spent and demonstrate that additional benefits would flow from the programme we have set out.

We believe that this makes a compelling case for the Budget of 2010-11 to be a 'Budget for Homes'.

## 2. The case for greater investment in housing

In our earlier report, 'Building pressure', published in July 2009, we set the scene for our Budget submission by drawing together evidence on the consequences of under-investment.

- There are 142,000 households on council house waiting lists: enough to form a queue from Glasgow to Edinburgh and back again. House waiting lists have risen by 15 per cent since 2000.
- There are fewer social homes for rent than at any time since 1959. Most of that decline has been as a result of Right to Buy. Since 1998 alone, 135,000 homes have been sold through Right to Buy.
- The number of lets of social housing has been declining as well as the total number of homes. In 2001, there were 3.9 people on council waiting lists for every let coming up.

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<sup>1</sup> See, for example, the report by local government secondees to the Scottish Government and CoSLA in April 2008: 'The biggest barrier to overcome, as far as most councils are concerned, relates to the shortage of housing for rent'.

By 2008 this had risen to 6.6. This is a bit like saying it would take well over six years to house everyone on waiting lists, even if lists were completely closed to new entrants.

- Adding councils and housing associations together, the total number of new lets of social housing has fallen 8 per cent since 2004-05.
- By 2008, despite house price inflation being checked, it was still 16 per cent harder for a first time buyer to buy a home than it was in 2001.
- The number of people stuck in temporary accommodation, like hostels, bed and breakfast hotels and short-term lets, has soared by 135 per cent between 2001 and 2008. This is mainly because of logjams in the provision of permanent housing to move on to. There are 17,000 people in temporary accommodation, almost enough to fill Tynecastle Stadium in Edinburgh. This includes 7,000 children.
- The number of lets of council homes going to homeless people has increased by 15 per cent since 2001. However, these lets now take up a much larger **proportion** of all council lets: 2 in every 5 by 2007-08. Although homelessness demand has risen a bit, this is not nearly as significant a factor as the fall in lets. It is the fall in the overall number of lets which lies behind the rising shares of lets being taken by homeless people.
- Taking into account lets to housing associations as well, three in every 10 lets go to a homeless household.

It is hardly surprising then that housing tops the list of issues on which MSPs get letters or representation at surgeries. The annual IPSOS/MORI poll of MSPs put housing at the top for the second year running, way ahead of more familiar totems like education, health or law and order.

### 3. Housing investment trends

One of the curious and generally dispiriting features about the debate on housing investment is its tendency to be based on how much more (or less) is being spent on X, Y and Z than in previous years. In this submission we have taken the view that this is largely irrelevant; the critical question is how much are we spending relative to **need**. Through many years of tracking and providing evidence on housing expenditure trends we have learned that it is possible to make the financial data tell almost any story one might wish and that dramatic changes in what is counted in and counted out of the public accounts make it impossible to compare trends over any meaningful period.

However, there is one important observation about recent trends which affects this submission. In response to the housing market downturn, the Scottish Government brought forward from 2010-11 a total of £120 million for affordable housing: £40 million of

this was allocated to 2008-09 and £80 million to 2009-10<sup>2</sup>. Then, in June 2009, a further £31 million was allocated to the housing budget for 2009-10 as a result of 'Barnett consequentials' from the housing budget for England being increased<sup>3</sup>. So, as things stand, the projected affordable housing investment for 2010-11, including Glasgow and Edinburgh<sup>4</sup>, will be £204 million (30 per cent) less than in the current year. This is set out in Table 1 below:

Year	AHIP <sup>5</sup>	Glasgow / Edinburgh	Total
2008-09	412	119	531
2009-10	556	119	675
2010-11	352	119	471

Source: based on Scottish Budget 2009-10, adjusted for subsequent Treasury consequentials

It is fair to recognise that the dramatic fall to 2010-11 is, of course, a consequence of a decision to bring money forward into earlier years: decisions that were broadly welcomed by those in the beleaguered industry at the time. Over the three years, the amount being invested in housing is the same; in fact, it is a little higher than initially budgeted as the result of Barnett Consequentials from the UK Treasury.

However, it is also fair to point out the amount secured for the period 2008-11 was, in itself, well below what was needed. Redistributing it across those years does not change that important point. And there is now an equally important question as to whether the construction sector has sufficiently recovered to absorb a £200 million drop year on year. Leaving aside the inevitable decline in new housing approvals in 2010-11, there is at least an argument that public policy should be sustaining support for housing output until it is

<sup>2</sup> The actual picture is slightly more complex: of the £120 million, £100 million is a result of Scottish Government decisions to accelerate funding; a further £20 million came from subsequent UK Treasury consequentials.

<sup>3</sup> See <http://www.scotland.gov.uk/News/Releases/2009/06/15102302>. It is important to note that the £31 million is less than the £54 million which should have been allocated to the housing budget had the Barnett consequential been made in full. It is possible, however, that the missing £23 million will be added to the housing budget in 2010-11.

<sup>4</sup> The allocations to Glasgow and Edinburgh are made separately from the mainstream AHIP as a result of the transfer of development funding responsibility to the respective city councils. The £119 million is an assumed figure which is rolled up in the general budget allocation to the two cities.

<sup>5</sup> AHIP is the Affordable Housing Investment Programme. This is the part of the housing budget which deals with the building of new homes. However, the AHIP also includes other programmes which do not relate directly to new building.

clear that we are well out of recession and the private market is able to build in sufficient numbers again.

## **4. How many homes do we need and how much would they cost?**

### **The need for new homes**

In our submission to the 2007 Comprehensive Spending Review we made the case for 10,000 affordable rented homes to be provided for each of the years 2008-09 to 2010-11: making up a programme of 30,000 affordable rented homes over the three years of the CSR. This estimate was backed by Scottish Churches Housing Action, the Chartered Institute of Housing in Scotland, Scottish Council for Single Homeless and the Scottish Federation of Housing Associations.

The estimate was based on detailed analysis of national housing needs carried out for the Scottish Executive by Professor Glen Bramley and colleagues at Heriot Watt University.

The Scottish Government has signalled that it does not agree with the estimate of 30,000 homes over three years. However, it is clear that its reservations have rather more to do with the challenging nature of the estimate than any alternative calculation as to outstanding need. At the time of writing, the Bramley model has not been updated, meaning that the most recent estimates are 2005-based. While we understand that there is work in train to develop the Bramley model to look at a national picture, this work will not be available in time for this Budget. Further, while there are new expectations on local authorities to submit housing need and demand assessments, they are not yet at a stage that an aggregated assessment for Scotland as a whole is possible.

Shelter welcomes steps to improve both the local and the national estimates of housing need and demand. However, in the meantime, we have a vacuum. We consider that our estimate of 30,000 homes developed in 2007 is robust – in fact, if anything, it is on the conservative side. The question is whether anything in the two years since it was developed will have changed the estimate significantly.

Clearly, the most marked trend has been a change in the trajectory of house prices. Because the Bramley model is heavily influenced by house price trends, it is possible that the Bramley estimates would be quite different now. However, although price to income pressures have eased a little in the last 18 months, this has been at the same time as increased rationing of loan finance. It is doubtful whether access to home-ownership has really improved for people on low incomes.

Consequently, we continue to believe that 10,000 affordable rented homes a year for three years is a credible estimate of the number of homes needed for the purposes of the

Budget. We would happily discuss it and alternative estimates with Scottish Government statisticians and economists.

Of course, we recognise that the need for new affordable rented homes is only one aspect of the need for housing investment. Among other things, there are challenging targets on housing quality to meet: on fuel poverty and the Scottish Housing Quality Standard, for example. There are regeneration needs in order to improve places, not just properties. A significant minority of people need housing support services to remain in their homes. All of these are legitimate priorities which we have not considered in detail here. The extent to which new affordable homes are funded is, rightly, seen as the litmus test of government's commitment to housing.

### Costing the programme

We have argued that a programme of 10,000 homes a year is needed for each of the years 2010-11, 2011-12 and 2012-13: 30,000 in total.

An unusual feature of the current year is that the affordable housing investment programme is made up of both council housing and new RSL housing. This is important as the grant costs for new council housing and new RSL housing are very different. We have assumed, for the sake of this estimate that the mix of new council and RSL housing for 2010-11 will be the same as 2009-10: that is, of the 5,395 affordable rented homes planned for 2009-10, a quarter are through the council housing programme and the remaining three-quarters are provided by RSLs<sup>6</sup>.

Turning to 2010-11, then, we will assume that, of the 10,000 homes needed, 2,500 will be provided by councils and 7,500 by RSLs<sup>7</sup>. Under the current rules the maximum grant for council housing is £25,000 per unit, while the average grant cost for new RSL rented housing in 2008-09 is £78,441 per unit<sup>8</sup>. So taking these together we can estimate that 10,000 homes would cost £650 million.

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<sup>6</sup> The 5,395 total is made up as follows:

- RSL general needs for rent 3421
- RSL particular needs for rent: 631
- New council homes 1343

The AHIP also details 328 homes provided through GHA demolition and re-provisioning. However, we have not included them here as there is no net addition to the stock.

<sup>7</sup> An entirely separate and lengthy report could be written on the respective merits of council and RSL housing. We cannot do justice to that policy discussion here. Arguably, it is too early to come to conclusions anyway. The programme mix we have chosen here is simply what we consider as a realistic scenario for estimating costs.

<sup>8</sup> 2008-09 prices are the most recent published for the purposes of HAG. We have assumed that these will be broadly stable into 2010-11 since the Scottish Government has signalled that it wants to see greater output per public pound.

This estimate should be taken as illustrative rather than precise. It partly depends on pressures of costs on land, labour and materials, policy decisions on average grant rates and indeed on the mix of providers. To take an extreme example: it might seem tempting to say that far more of the programme should be delivered by councils rather than RSLs. However, that would have to be tempered with an assessment of the realistic capacity and willingness of councils to deliver that, certainly in the short time horizon.

£650 million is a lot of money. It is just under 2 per cent of the total Scottish budget. However, most of that £650 million is not new money. In 2009-10, there is already £450<sup>9</sup> million being allocated to affordable rented accommodation. Thus our estimated programme of £650 million for 2010-11 is £200 million above the 2009-10 starting point – equivalent to 0.6 per cent of the overall Scottish Budget.

Of course, as we have pointed out above, the Affordable Housing Investment Programme is scheduled to decline by £204 million over 2010/2011, rather than **increase** by a similar amount. One could argue, therefore that there is, as things stand, a £400 million deficit in the funding for new affordable rented housing. But we have also argued above that the planned reduction in investment needs now to take account of a slump in housing output that is longer and deeper than originally forecast. In this light, public funding is needed to retain jobs and skills and this is why we are taking the revised 2009-10 budget as a minimum starting point.

There **is** some scope for reducing that deficit within budgets: for example, by allocating the missing £23 million from the Barnett consequential (see footnote 3); or re-distributing some of the £93 million which is put into low cost home ownership schemes<sup>10</sup>. But clearly, there is a need for additional money to come **into** the affordable housing budget as well.

In the above commentary we have looked at the programme for 2010-11 as the immediate focus of the Budget. However, the Budget will also provide indicative spending plans for the two following years as well, including, of course 2012-13 when the

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<sup>9</sup> This is for RSL homes for rent (both general and particular needs) and a programme of new council homes but does not include the GHA re-provisioning costs of £29.5 million. Nor does it include £31 million allocated in June 2009 for the 2009-10 Budget. At the time of writing, this has not been assigned, but may be allocated across the programme and not just to rented housing. If both of these costs were included then the £450 million could be as much as £510 million.

<sup>10</sup> In 2009-10 £32.6 million is for LCHO provided directly by RSLs, with another £60 million for Shared Equity Open Market schemes. While we recognise the case for LCHO within an investment programme, such schemes do little to assist directly in tackling homelessness. The 2012 commitment is now so close that it is timely to examine the effectiveness of the precise mix of programmes.



homelessness commitment has to be met in full. So the overall programme we are arguing for is 10,000 homes a year for each of the years of the budget 2010-2013: 30,000 in total. In practice, it is unlikely that exactly the same number of approvals is planned each year; it may make sense for the programme to gear up more gradually through the three years. In particular, this would give local authorities greater time to assess their own full role in providing council housing directly.

## 5. Why should this be a Budget for Homes?

We opened this submission by arguing that the case for additional housing investment is less one of choice; rather more a recognition of the statutory commitment to homeless people that must be met by 2012. In our CSR submission for 2007 and in other representations to MSPs<sup>11</sup>, we argued that this is not simply or only about meeting the commitment per se, although this **is** the case in some particularly hard-pressed local authority areas. Rather it is about ensuring that there are sufficient affordable homes to meet the statutory duties owed to homeless people without significantly reducing the opportunities open to people on waiting lists. In 2007 we argued that a programme of new homes at the scale we set out would provide sufficient lets to stabilise the relative proportion of lets going to homeless people and people on waiting lists. We believe that this argument remains robust. Further, we argue that providing more new lets would ease the logjam in temporary accommodation the use of which has soared massively in recent years (as shown in section 2 above) and which imposes enormous costs on public budgets.

But homelessness is not the only area of public policy in which there are statutory commitments. So, as well as the statutory obligation to be met within this budget period, we argue that there are compelling reasons for making this Budget a Budget for Homes. This case rests on the added value which housing investment brings.

One of the advantages of investment in housing is the additional money levered in from private finance. That part of the affordable rented housing programme provided by RSLs alone would bring in £331 million a year in private funding: for every £64 of public money spent by an RSL on new rented housing, £36 more is brought in. This is money in loans from financial institutions which cover the additional scheme costs not met by public money. Such additional leverage is not a feature of all types of public spending: so here, housing investment has an edge.

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<sup>11</sup> See for example, our evidence to the Scottish Parliament's Local Government and Communities Committee in February 2009:  
[http://scotland.shelter.org.uk/professional\\_resources/policy\\_library/policy\\_library\\_folder/shelters\\_evidence\\_to\\_lg\\_and\\_c\\_committee](http://scotland.shelter.org.uk/professional_resources/policy_library/policy_library_folder/shelters_evidence_to_lg_and_c_committee)

These are very obvious and tangible benefits from investing in housing. There are equal if not more important additional benefits. It is less easy to quantify all of these but their contribution is positive and significant.

The most pressing example in the current climate is around job creation and retention. In our submission to the UK Budget in February we called for a 'fiscal stimulus' through housing investment. Housing investment is a very powerful driver of wider economic activity. Industry body, Homes for Scotland has warned that tens of thousands of jobs have already been lost in the construction sector and many of these are skills which may be lost to the industry permanently. So, in the absence of other action, there is a risk of shortages of skilled labour when the private market picks up, setting in motion a further inflationary spiral.

So a programme of additional housing investment as outlined here could act as a brake on future inflation. It could also sustain many jobs in the hard-pressed construction sector. £650 million of direct investment plus £331 million in private finance would together sustain around 16,000 jobs each year directly in the development process or indirectly in the supplier industries<sup>12</sup>.

There are a number of other positive economic impacts which would come from a programme of this scale. These include: dampening housing market volatility which has fed wider economic volatility in the past; increasing labour market flexibility and mobility; and providing stable accommodation for some of the most disadvantaged people who are disconnected from jobs, education or training.

While job creation looms largest in the current context there are further added benefits from housing investment:

**Education:** housing problems such as overcrowding and living in temporary accommodation can have direct impacts on how well children get on at school as well as affecting their more general development and life-chances. Stable accommodation is often a vital building block for a group of vulnerable older teenagers who find it difficult to access and retain work, training or higher education.

**Health:** According to the British Medical Association, multiple housing deprivation is as bad a risk to health as smoking, and worse than excessive alcohol consumption<sup>13</sup>. Good quality housing has been recognised as one of the main determinants of health and well-being. Much of the attention, rightly, has been focused on improving the existing stock of poor quality housing, where damp, cold conditions have obvious links to respiratory

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<sup>12</sup> Source: Preparing for Recovery: Update on the Scottish Economic Recovery Programme, Scottish Government, 15 June 2009

<sup>13</sup> Source: Housing and health: Building for the future, British Medical Association, 2003

health. But, an expanded programme of new affordable homes also has a key role to play in raising the overall standard of housing<sup>14</sup>. More specific health priorities can also be eased by increased availability of housing: for example, a reduction in bed-blocking in hospitals as accommodation becomes available to move to.

**Crime and anti-social behaviour:** for decades housing providers have been at the frontline of efforts to address low level crime and anti-social behaviour. An affordable housing programme, which improves the quality and design of individual homes and neighbourhoods, can be the vital backdrop to more focused efforts to deal with crime at the point of occurrence. Improved re-housing of ex-offenders is integral to reduction of re-offending rates.

**Community cohesion:** where there is fierce competition for housing, it is all too easy to create scapegoats. At various times they can be 'incomers', homeless people, asylum seekers or economic migrants from Eastern Europe. Of course, it is important to confront prejudice head-on, but this is so much easier to do when it can be demonstrated that all sections of the community can access services. The success of far-right groups in England in exploiting problems of access to affordable housing, while not replicated in Scotland, foreshadow difficulties if left unresolved.

**Environmental sustainability:** new housing by social housing providers has been at the cutting edge of new approaches to construction which reduce energy use, carbon emissions and waste and open up access to renewable energy. An increased social housing programme will help Scotland deliver its world-leading commitments on climate change<sup>15</sup>. In addition, one of the consequences of over-heated housing markets has been a rise in longer-distance commuting, as people move further afield to secure an affordable home.

## 6. Scotland and the world

2009 is the year of Homecoming. It is when Scotland's proud history as a pioneer in literature, science and education, among many other things, is being celebrated. But this is not just a matter of history. Scotland continues to be a pioneer and homelessness is one of the areas in which Scotland's stock has soared. The 2012 homelessness commitment has won awards for human rights. The United Nations has recently commended the commitment. France has sought inspiration from Scotland and adopted

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<sup>14</sup> For example, new rented homes are built to higher standards of accessibility than is the case for most of the existing stock, helping to reduce the huge shortfall of homes that are suitable for disabled people.

<sup>15</sup> Other things being equal, simply building more homes will have a negative environmental impact. However, there is a world of difference between building new modest-sized homes to high standards, to complement existing neighbourhoods and development of new six bedroom homes estates in commuter dormitories.

its own 2012 target through a constitutional right to housing. Our Scandinavian neighbours, to whom we so often look for models of social progress, cite Scotland's bold aspiration on homelessness as an exemplar. Across the developed world, the Scottish programme is raised by academics, commentators and champions of social justice.

The corollary of that international attention is that, should we falter, we falter in the full glare of scrutiny from the international community.

So what better legacy for a year of Homecoming than a Budget for Homes?

## 7. Building solutions

In 'Building pressure' we argued that Scotland's shortage of decent affordable homes in places where people can thrive has been neglected too long. The pressure is being felt in many ways: on lengthening waiting lists, increasing use of temporary housing, on loss of skilled building workers – and, more fundamentally on family life and community cohesion.

A budget for homes is about recognising housing investment as a way out of those pressures. Building is a solution in itself and an adequate programme of investment is about unleashing the solutions which are undoubtedly within the imagination of the housing sector.

In Shelter Scotland, we are aware of the pressures that the Scottish Government faces. After years of rising real terms budget settlements, the time of expansion is, for the time being, over. But our central ask – for additional funding of £200 million for each of the next three years – on top of the budgeted expenditure for 2009-10 is much less than 1 per cent of the total Scottish budget.

This budget is about taking tough choices and making less go further. Only housing offers the double social and economic return. The Scottish Government has the opportunity to define their first term in power by making the 2010/2011 budget the **'Budget for Homes'**.