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## JOINT SUBMISSION FROM CIH SCOTLAND, SHELTER SCOTLAND AND SCOTTISH FEDERATION OF HOUSING ASSOCIATIONS TO THE DRAFT INFRASTRUCTURE INVESTMENT PLAN

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### Recommendations

- The Scottish Government should set the goal of reducing affordable housing need by building enough social and affordable homes where people need them and of the kind that meet people's future needs.
- To achieve this goal the Scottish Government should commit to a new Affordable Housing Supply Programme to deliver 53,000 affordable homes over the next five years, identified by independent academics as the trigger point at which Scotland can start to reduce affordable housing need, address the backlog of demand and build the foundations to meet housing need in the future.
- The Scottish Government should urgently undertake a review of affordable housing subsidy rates to ensure that high quality, accessible homes can continue to be delivered without passing on the costs to existing tenants.

### Introduction

We are an alliance of Scotland's leading housing and homeless organisations, coming together with a single voice on what the evidence tells us is required to safeguard an effective affordable housing programme which will reduce housing need in Scotland.

CIH Scotland, Shelter Scotland and the Scottish Federation of Housing Associations (SFHA) welcomes the Scottish Government's continued commitment to the delivery of much needed social and affordable housing with £2.8 billion capital funding outlined in the draft Infrastructure Investment Plan (IIP). The Scottish Government also subsequently confirmed that the capital funding outlined in the draft IIP represents a 16 percent increase on capital investment included in the current programme and will be supported by additional spend through Financial Transactions (FTs) and Transfer of Management of Development Funding (TMDF)<sup>i</sup>.

However, we would welcome clarity on the total amount of funding that will be available to deliver new affordable homes and assurance that grant rates will be sufficient to keep rents affordable for tenants on low incomes given social landlords' requirement to meet new and higher standards on new build housing. It is crucial that the total amount of funding is adequate to deliver the 53,000 additional social and affordable homes needed to reduce the backlog of housing need in Scotland.

### Affordable housing need

CIH Scotland, Shelter Scotland and SFHA published research<sup>ii</sup> in June outlining affordable housing need in Scotland over the next Parliamentary term 2021-2026. It concludes that 53,000 affordable homes must be delivered to reduce housing need by meeting existing and backlog need. At least 37,100 of these should be for social rent with the remainder comprised of other affordable tenures.

Based on the existing Affordable Housing Supply Programme (AHSP) and grant rates, it was estimated that around £3.4 billion Scottish Government funding would be required to deliver 53,000 homes over the five years. However, this estimate does not take into account the fact that current subsidy

rates are still proportionately lower than they have been in the past and that new homes will have to be delivered to higher standards to meet climate change targets, provide better accessibility and ensure that homes are more flexible to allow for working and studying from home when needed.

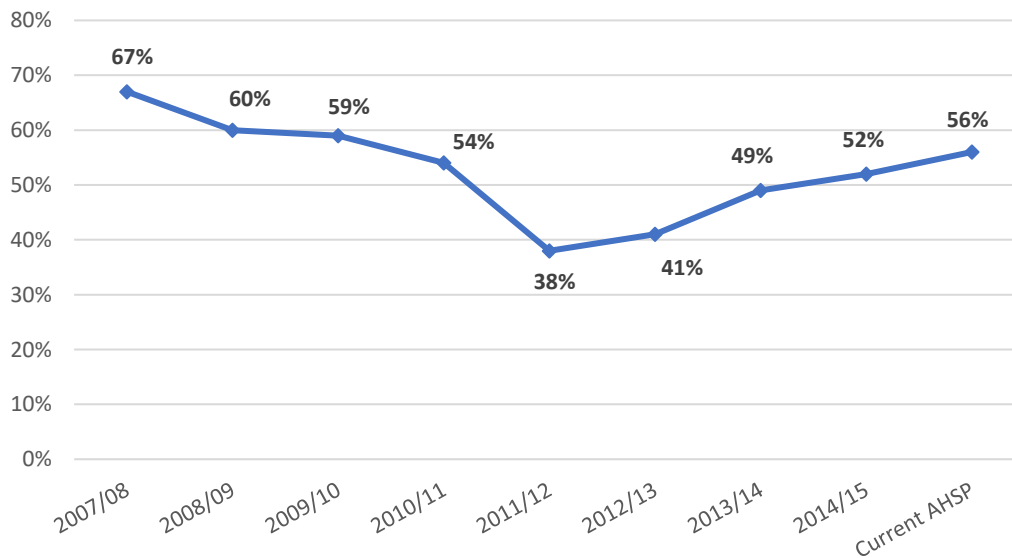
Affordable housing subsidy rates should be urgently revised to ensure that new homes can be delivered while keeping rents affordable for tenants.

**Affordable housing subsidy rates**

The average Scottish Government subsidy rates for affordable housing were cut significantly following the economic downturn making it extremely difficult to build affordable homes. A review undertaken by the 2015 Subsidy Working Group<sup>iii</sup> led to an increase in grant rates from 2016 which has helped to increase affordable housing supply and would have fulfilled the Scottish Government’s target to deliver 50,000 affordable homes over the current Parliamentary term if Covid-19 had not stalled construction.

Table 1 below demonstrates that while subsidy rates have increased, they still remain lower than pre-recession rates.

**Table1: Average Scottish Government grant rate % for housing association properties 2007-08 to present (grant as a % of total cost)**



Source: 2007/08 – 2014/15 data published by Scottish Parliament Information Centre (SPICE)<sup>iv</sup> and current average subsidy rates published by Audit Scotland<sup>v</sup>

Current subsidy rates also vary significantly between housing associations and local authorities. The benchmark subsidy rate for local authorities is around 25 percent lower than for housing associations.

The Scottish Government assumptions underpinning this difference in subsidy should be considered as part of a comprehensive review of subsidy rates.

The difference between subsidy and the cost of delivery is paid for through borrowing which is ultimately serviced by tenants’ rent. Rent increases above inflation in the social rented sector in recent

years have been necessary to pay for improvements to existing homes and deliver new homes. However, these increases cannot continue without raising questions about affordability. This issue is especially relevant now given that the global pandemic is likely to lead to long term economic downturn and leave many low-income households at increased risk of poverty and homelessness if they cannot afford to cover their housing costs. Without a sufficient increase in grant rate landlords will either choose to build fewer homes or increase tenants rent above reasonable levels, an uplift that will likely lead to an increase in poverty and potentially homelessness.

### **Increasing standards, development costs and affordability**

Social landlords must balance the cost of maintaining existing homes and services, delivering new homes and keeping rents affordable.

In recent years landlords have invested significant sums in meeting the Scottish Housing Quality Standard (SHQS) and Energy Efficiency Standard for Social Housing (ESSH). Between 2015-16 and 2018-19, social landlords invested over £373 million from their own resources towards meeting ESSH, 86 percent of the total spend<sup>vi</sup>. The Scottish Government consultation on ESSH2<sup>vii</sup> estimated that it would cost around £3.4 billion to achieve 60 percent compliance with ESSH2.

The Programme for Government<sup>viii</sup> commits to new standards for homes delivered with Scottish Government subsidy including:

- Provision of private or communal outdoor space for people to sit or socialise.
- Adequate space inside to allow people to work or study from home.
- Better digital connectivity.

We also know that we need to make sure new homes are more accessible and can be adapted to meet changing needs over time. It is estimated that over 17,000 wheelchair users in Scotland are living in homes that do not meet their needs<sup>ix</sup>.

While we fully support increasing the standard of new build affordable housing, it is essential that the cost of delivery is factored into affordable housing subsidy rates.

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<sup>i</sup> <https://www.scotishhousingnews.com/article/sfha-welcomes-clarification-on-scottish-government-s-infrastructure-investment>

<sup>ii</sup> [Affordable Housing Need in Scotland Post-2021](#)

<sup>iii</sup> <https://www2.gov.scot/Topics/Built-Environment/Housing/investment/ahsp/2015-subsidy-working-group>

<sup>iv</sup> [http://www.parliament.scot/ResearchBriefingsAndFactsheets/S5/SB\\_16-49\\_Housing\\_Supply\\_Budget.pdf](http://www.parliament.scot/ResearchBriefingsAndFactsheets/S5/SB_16-49_Housing_Supply_Budget.pdf) (figure 3, page 10)

<sup>v</sup> [https://www.audit-scotland.gov.uk/uploads/docs/report/2020/nr\\_200409\\_affordable\\_housing.pdf](https://www.audit-scotland.gov.uk/uploads/docs/report/2020/nr_200409_affordable_housing.pdf) (page 20)

<sup>vi</sup> <https://www.gov.scot/publications/energy-efficiency-standard-social-housing-eessh-scottish-government-guidance-social-landlords-revised-2020/pages/8/>

<sup>vii</sup> <https://www.gov.scot/publications/consultation-energy-efficiency-standard-social-housing-post-2020-eessh2/pages/2/>

<sup>viii</sup> <https://www.gov.scot/publications/protecting-scotland-renewing-scotland-governments-programme-scotland-2020-2021/>

<sup>ix</sup> <https://www.horizonhousing.org/media/1522/still-minding-the-step-full-report.pdf>