



Managing Scotland's public finances: a strategic approach

Evidence submitted to the Scottish Parliament's Finance and Public Administration Committee 5 August 2024

This is a response to the Finance and Public Administration Committee's pre-budget scrutiny. The Committee has called for views on the First Minister's four priorities:

- Eradicating child poverty
- Growing the economy
- Tackling the climate emergency
- Delivering better public services

Our response focussed on the importance of investing in housing supply and housing services in order to meet these priorities.

Consultation questions

1. Are these the right priorities for the Scottish Budget 2025-26 and, if not, where should the Scottish Government focus its attention?

These priorities, if realised can help to tackle poverty and inequality while ensuring better outcomes for individuals. They will support statutory government targets in relation to reducing child poverty, fuel poverty and achieving net-zero.

We believe that investment in the housing sector is essential to meeting all four of the priorities and must be addressed in the Scottish Budget for 2025-26 particularly in relation to capital spend for building social homes.

The provision of social and affordable housing significantly contributes to poverty reduction, contributes directly to the economy through construction and maintenance and indirectly through the provision of homes needed to house our workforce. Good quality homes improve health and wellbeing and reduce carbon emissions.

2. What taxation and spending decisions should the Scottish Government take to make most progress against each of the First Minister's four priorities within the current financial climate?

No comment.

3. What are the potential impacts of focussing budget decisions on these four priority areas on those groups of society who traditionally experience inequality?

Investing in social and affordable housing as a means of addressing the four priorities will have a positive impact on groups who are more likely to experience inequalities. The Scottish Government's [Housing to 2040 equalities position statement](#) outlines how the quality of housing and housing services affects all people living in Scotland and can have a positive impact across all protected characteristics if delivered in line with Scottish Government ambitions.

Specifically in relation to the four budget priorities identified, investing in housing can have a positive impact as follows:

Eradicating child poverty – [Joseph Rowntree Foundation research](#) shows that housing costs are a significant contributor to poverty, particularly for families in work, and that reducing housing costs can lift people out of poverty. The Scottish Government's recent investment in social and affordable housing has been credited with slowing the rise of poverty in Scotland compared to the rest of the UK, but this record is at risk due to the significant cuts to the Affordable Housing Supply Programme (AHSP) in 2024/25.

Lack of social and affordable homes has resulted in the highest rates of homelessness since records began, including almost 10,000 children currently living in temporary accommodation. Ten local authorities have declared local housing emergencies signalling that they are no longer to meet the needs of their residents, and the Scottish Government has acknowledged that we are in the midst of a national housing emergency. This situation must be addressed urgently by reversing cuts to the AHSP and ensuring that local authorities have the resources needed to tackle homelessness.

Growing the economy – Investing in social and affordable homes supports those who are more likely to experience inequality including women, single parents, those with disabilities, households claiming benefits, ethnic minorities and LGBTQ+ communities. The social value of social and affordable housing is evidenced in a recent [SFHA publication](#), but investment in housing also benefits Scotland's economy.

Homes for Scotland [research](#) demonstrates a range of social and economic benefits of house building. Specifically supporting economic growth in 2019 through:

- Supporting 79,200 jobs, 3.5 jobs for every home built.
- £387 million investment in land and buildings for homes.
- £807 million spent on goods, services and materials.
- £3.4 billion direct, indirect and induced gross value added.

Scottish Federation of Housing Associations (SFHA) [analysis](#) of the economic potential of delivering 53,000 social and affordable homes from 2021- 2026 shows



that this could create 200,000 jobs in construction and related industries, contributing over £2 billion additional output annually and an additional £100 million Scottish tax revenues.

Tackling the climate emergency – [Audit Scotland reports](#) that Scotland’s 2.5 million occupied homes contribute around 15 per cent of greenhouse gas emissions. Decarbonising homes must be a key focus for the Scottish Government to meet its net-zero target by 2045 and investment is needed to ensure a “just transition”. Investing in the energy efficiency of homes is essential to avoid lower income households being left behind in poorer quality homes or at increased risk of fuel poverty. In particular improving the energy efficiency of homes in the private sector, for both owner occupiers and those renting, must be prioritised if the housing sector is to play its part in tackling the climate emergency.

Delivering better public services – preventing homelessness and effectively supporting those who do become homeless should be a key focus for the Scottish Government leading to better outcomes for individuals and savings for the public purse. We welcome the ambition to end homelessness in Scotland, but lack of affordable housing and short-term funding for initiatives like Rapid Rehousing Transition Plans (RRTPs) are undermining efforts.

4. What progress has the Scottish Government made against these specific goals in relation to public service reform?

No comment.

5. Are there any improvements that can be made to achieve faster progress with public service reform and improved outcomes?

No comment

6. Taking account of the Scottish Government’s recently published Public Sector Pay Policy 2024-25, what are the implications of its multi-year framework, which offers pay metrics above forecasts levels of inflation, on public sector bodies and on the Scottish Budget for 2025-26 and for the subsequent two years.

No comment

7. What elements should a new draft tax strategy include to achieve such a tax system?

No comment

8. How should a new draft tax strategy address potential impacts of behavioural change on individuals, businesses, and the overall tax take?



No comment

9. What actions should the Scottish Government take to grow the tax base and increase labour market participation, productivity, and Scotland's economic growth?

No comment

10. The First Minister said that growing the economy will also be achieved through tackling the climate emergency by investing in green energy and infrastructure. What steps should the Scottish Government take, in its Budget for 2025-26, to grow the economy in this way?

As mentioned above, the housing sector is key to meeting net-zero ambitions and the Scottish Government must provide financial support to ensure that homes across all tenures are energy efficient and ready to support renewable heating systems. Regulating for minimum energy efficiency standards through the Heat in Buildings Bill (HiBS) expected later this year will provide the certainty needed to catalyse action but this must be underpinned by an enabling framework and financing to ensure that landlords and homeowners are able to meet the standards.

The Existing Homes Alliance has set out how consumers should be supported to improve their homes including trusted advice and information, financial assistance and consumer protections.

Immediate budgets should focus on continuing funding for energy efficiency programmes delivered by local authorities and advice and financial support provided to homeowners and private landlords through Home Energy Scotland. Sufficient investment is essential to ensure that meeting net-zero does not increase the risk of poverty for residents, especially those who are more likely to experience inequalities.

11. Given the limited capital budget available, in which areas should the Scottish Government prioritise its capital spend in the Scottish Budget 2025-26 to deliver increased productivity, innovation, and growth?

The 2025-26 budget must reverse cuts to the AHSP which have resulted in thousands of homes being delayed. The Scottish Housing Regulator's analysis of the availability of social housing lets for 2023/24 highlights a significant shortfall in housing supply worsened by recent budget cuts.

- Registered social landlord (RSL) homebuilding has slowed and is expected to remain at a lower level for five years.



- The number of social rented homes becoming empty has dropped for each of the last two years.
- This means that social landlords have significantly fewer homes available to let to people in need, including homeless households.

If funding cuts are not urgently addressed, the housing emergency will worsen. This will result in increased spending on temporary accommodation, increased poverty and inequality, worsening health and wellbeing and increased costs for the NHS.

About CIH

The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple - to provide housing professionals and their organisations with the advice, support, and knowledge they need to be brilliant. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse membership of people who work in both the public and private sectors, in 20 countries on five continents across the world. Further information is available at: www.cih.org.

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