



Evidence submitted by Chartered Institute of Housing Scotland: 23 August 2019

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 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 including over 2,000 in Scotland.

Further information is available at: www.cih.org

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1. General comments

- 1.1 CIH Scotland welcomes the opportunity to contribute to the Committee's pre-budget consultation on the long-term financial sustainability of local government. As the professional body for housing, our response will focus on the need for funding certainty to support the delivery of new homes, homelessness services and other services that are vital to supporting people to live well and independently. However, the financial health and sustainability of local authorities across all departments is essential to ensuring that vital services can be maintained.
- 1.2 In summary, to support the long-term financial sustainability of local government, we recommend:
- Longer term budgets for the delivery of affordable housing beyond five-year parliamentary cycles;
 - Revision of the affordable housing subsidy benchmark rates;
 - Consideration of changes to local taxation; and
 - Continued focus on preventative spend and better partnership working between housing, health and social care partners.

2. Contribution of local authorities to the housing sector

Affordable housing delivery

- 2.1 The continued delivery of affordable homes and sustainable communities is fundamental to achieving all of the Scottish Government's National Outcomes and to creating a Fairer Scotland. Good quality affordable homes improve physical and mental health and wellbeing, provide a safe and stable platform for employment and education and support jobs in the building and maintenance industry. The provision of affordable housing also has a key role to play in tackling poverty and child poverty in particular. In Scotland, 15% of households live in absolute poverty increasing to 18% when housing costs are taken into account. The difference is even more stark among households with children where 22% are classed as living in absolute poverty after housing costs¹.
- 2.2 The end of right to buy and the financial security provided by a Scottish Government target to deliver 50,000 affordable homes backed by £3billion funding has created the opportunity for many local authorities to start building homes again. Affordable new build completions have increased from zero in 2005 to 1,280 in 2018². While these new homes have been delivered with less subsidy than housing associations, it is not clear how long local authorities can continue to provide good quality homes at this grant level while keeping rents truly affordable.

¹ <https://www.gov.scot/publications/poverty-income-inequality-scotland-2015-18/pages/3/>

² <https://www2.gov.scot/Topics/Statistics/Browse/Housing-Regeneration/HSfS/NewBuildLA>

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Homelessness services

- 2.3 There is a growing body of evidence that demonstrates the financial and health benefits of preventing homelessness or providing the right support for people who do become homeless. The long-term financial sustainability of local government relies on preventative spending and better partnership working between housing, health and social care services.
- 2.4 Research published in 2017³ states that following initial investment, Housing First⁴ has the potential to generate significant savings across criminal justice, social work, housing and other services. The publication cites research based in England demonstrating that the UK Government could save up to £200 million each year by implementing Housing First⁵ and a study in Liverpool which indicated replacement of 1,500 units of supported housing would generate savings of £4 million⁶.
- 2.5 We welcome the Scottish Government's commitment to supporting Housing First through the development of five Pathfinder Project areas but have expressed concerns with the short term nature of the two year pilot and uncertainty over long term funding and the role of health and social care partners in delivering the support services which are vital to the success of this approach.
- 2.6 Research into the links between health and homelessness published by Scottish Government⁷ again presents strong evidence to support the case for greater investment in preventative spend:
- Homeless people were almost twice as likely (1.9) to attend Accident and Emergency services than the most deprived cohort (MDC) and three and a half times (3.5) more likely than the least deprived cohort (LDC).
 - Acute admissions to hospital for homeless people were 1.7 times higher than the MDC and 3.1 times higher than the LDC.
 - Outpatient appointments for homeless people were 1.6 times higher than the MDC and 2.3 times higher than the LDC.
 - Rates of dispensed prescriptions for homeless people were 2.5 times higher than the MDC and 8.2 times higher than the LDC.
 - Admissions to mental health specialities for homeless people were 4.9 times greater than the MDC and 20.5 times greater than the LDC.
 - Admissions at initial drug treatment services for homeless people were 10 times higher than the MDC and 132 times higher than the LDC.
- 2.7 This is a stark demonstration of the human cost of homelessness as well as the cost to the NHS and a clear indication of the benefits of preventative spending and better access to health, addiction and mental health services before reaching crisis point.

³ <http://social-bite.co.uk/wp-content/uploads/2018/01/EradicatingCoreHomelessness.pdf>

⁴ A homeless intervention that provides a home and wrap around support for people with complex needs.

⁵ Joseph Rowntree Foundation (2016), *UK Poverty: causes, costs and solutions*, York: JRF

⁶ Blood, I., Copeman, I., Goldup, M., Pleace, N., Bretherton, J. & Dulson, S. (2017), 'Housing First Feasibility Study for the Liverpool City Region', London: Crisis

⁷ <https://www.gov.scot/publications/health-homelessness-scotland/>

Energy efficiency, fuel poverty and climate change

- 2.8 The Scottish Government has acknowledged that we are experiencing a global climate emergency and set out new emission reduction targets in the Climate Change Bill of 70% by 2030, 90% by 2040 and net-zero by 2045. The Fuel Poverty (Targets, Definition and Strategy) Bill sets an ambition that by the year 2030, as far as reasonably possible, no household in Scotland is living in fuel poverty. Local authorities and the wider housing sector have a central role to play in meeting these targets in ensuring that new build homes are high quality, existing homes are maintained and improved and in people are supported to reduce their energy use.
- 2.9 While we have welcomed the Scottish Government's Energy Efficient Scotland Route Map, CIH Scotland and other have argued that 'business as usual' and current budgets will not be enough to meet targets. Significant progress in improving the energy efficiency of social housing has been made under Energy Efficiency Standards for Social Housing (EESH). However, the majority of this has been funded by local authorities and housing associations and therefore paid for through rental income. It is not clear how long this level of spend can continue without serious risk of making rents unaffordable and costing tenants more in rent increases than they save on their fuel bills. These costs add to the financial pressure on local authorities.

3. Financial Challenges

Budget cuts

- 3.1 Analysis from the Scottish Parliament Information Centre (SPICe)⁸ published to coincide with this call for evidence clearly shows the complexity of local government budgets and how they have changed over recent years. Perhaps the most simple demonstration of the impact of funding on local government is the real terms change in local government funding per head. Between 2013-14 and 2019-20 this has reduced by an average of £160 per head across Scotland. The largest reduction has been seen in Eilean Siar at £572 per head and the smallest reduction in North Ayrshire at £32 per head of population.
- 3.2 Anecdotal evidence from CIH Scotland members suggests that cuts to local authority budgets are also having a negative impact on housing associations which are having to pay for services previously provided by the local authority. Examples included pest control services and having to support tenants who were unable to put bins out for collection. While these may seem like minor interventions, if budgets continue to be squeezed, more non-statutory services are at risk of being cut with the costs then being passed on to housing association tenants or other members of the public.

Council tax

- 3.3 Changes to Council Tax banding and the flexibility to increase Council Tax has generated some additional income for local authorities although this is not evenly spread across Scotland, depending on local decisions regarding increases and dependent on the housing market and volume of higher value homes.

⁸ <https://digitalpublications.parliament.scot/ResearchBriefings/Report/2019/7/2/Local-government-finance--facts-and-figures-2013-14-to-2019-20>

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- 3.4 The SPICe briefing on local government finance⁹ sets out a variation of the impact of Council Tax reform on gross Council Tax revenue between 2016-17 and 2019-20 of between +9.4% in West Dunbartonshire and +21.7% in East Lothian. While all local authorities were given the same discretionary powers, it is clear to see that all areas have not benefited from the same increase in revenue.
- 3.5 A recent report from the Resolution Foundation¹⁰ has highlighted that despite recent changes, Council Tax is still unfair with people living in the cheapest homes (Band A) facing a bill of up to 2% of the property value compared to just 0.03% at the other end of the market. Because people living in homes at the lower end of the market are more likely to be on lower incomes, this also means paying a higher percentage of earnings.
- 3.6 In light of the fact that the current method of local taxation is not providing a stable and efficient means of income for local authorities and can contribute to increasing wealth inequalities, the future of local taxation should be reviewed in the context of the Scottish Government's ongoing discussion on a vision for Housing to 2040.

Increasing demand for services

- 3.7 Our population is growing and ageing. It is expected that the population will increase by 7% between 2014 and 2039 but during this time, the population of those aged 75 plus will increase by 85%¹¹. While this growth is not evenly spread across Scotland, all local authorities are having to plan to provide homes that are more accessible and adaptable and services to support people as they grow older.
- 3.8 In addition to challenges with reducing budgets and increasing demand for services, the UK Government's welfare reform programme has had, and will continue to have, a significant negative impact on hundreds of thousands of households across Scotland. Scottish Government estimates that UK Government welfare reform measures will have removed £3.7billion from Scottish households by 2020-2021. The loss of income means that more households are struggling to pay for essentials including rent, heating, food and clothing and relying more on local services to support them.
- 3.9 Local authorities have been directly affected by welfare reform in terms of increased rent arrears and also indirectly by having to provide additional support for tenants and other local residents.

4. Recommendations to support the financial sustainability of local government

- 4.1 Affordable housing subsidy levels should be revised with input from stakeholders across the social housing sector. There is no clear argument for local authorities receiving less subsidy than housing associations. Scottish Government must work with the sector to set grant levels

⁹ <https://digitalpublications.parliament.scot/ResearchBriefings/Report/2019/7/2/Local-government-finance--facts-and-figures-2013-14-to-2019-20>

¹⁰ <https://www.resolutionfoundation.org/publications/taking-stock-report-for-the-scottish-poverty-and-inequality-commission/>

¹¹ <https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-projections/population-projections-scotland/2014-based/list-of-tables>

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at a level that will ensure rents can be kept at truly affordable rates for existing and new tenants.

- 4.2 Scottish Government should consider local taxation within the context of its wider discussion on a vision for Housing to 2040.
- 4.3 Without providing additional funding directly or radical changes to the way in which revenue can be raised locally, one of the most effective ways in which Scottish Government can support local government is by providing longer term financial certainty. If local authorities are to be able to maintain housing building programmes, they need to be able to take on skilled employees and have the confidence that funding will be extended beyond a single parliamentary term.
- 4.4 Focus on preventative spend must continue and more must be done to acknowledge and strengthen the role of health and social care partners in supporting people to remain healthy and independent in their own home.