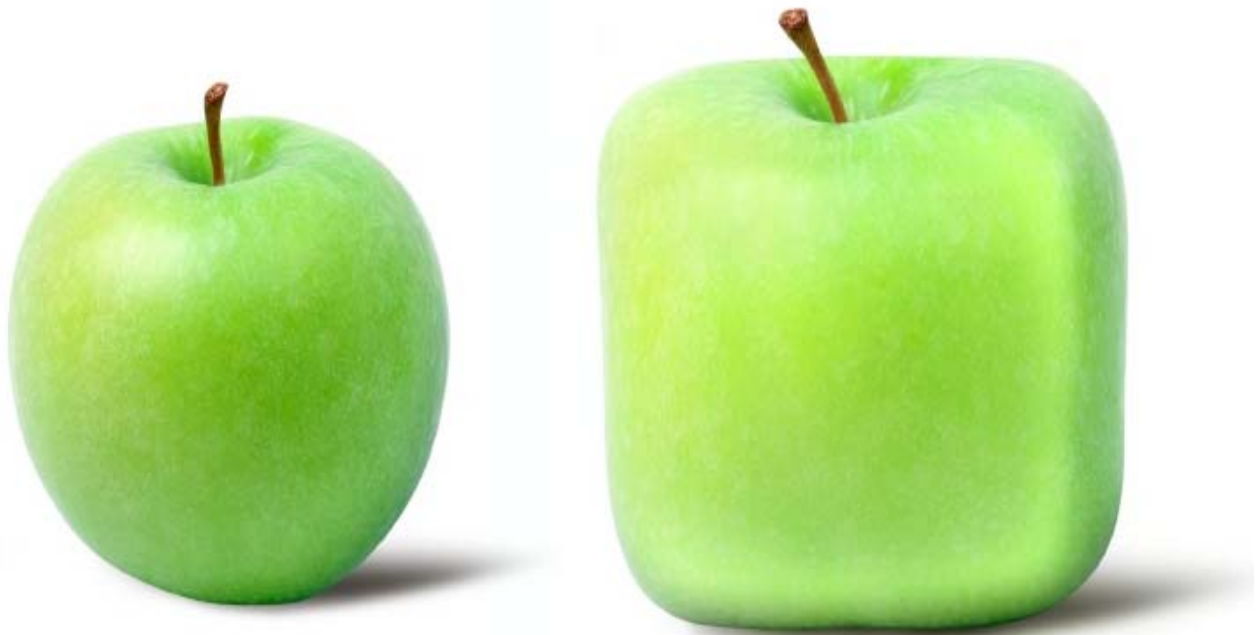


SQUARING CIRCLES

State of the nation 2009-2010

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About the author

Anna has 18 years' experience working in the affordable housing sector in Scotland. She has worked in the local government, Scottish Homes and housing associations in a range of research, policy and development roles. Most recently she led the affordable housing policy and research business at DTZ where she worked for eight years. Her work at DTZ included a large range of housing research projects, stock option appraisal and stock transfer consultancy, and inspection preparation and support. Her specialisms are bespoke research and strategy development; governance, performance management and improvement; and affordable housing advice for developers. She has acted as a board member and chair of a number of Scottish housing associations, and in one case led merger of two community-based associations in Edinburgh. She contributed to the development of the HQN Scottish governance toolkit in 2009.

In addition to her Associate role with HQN, Anna also works with Heriot-Watt University in housing research projects.

Key housing legislation, policy reviews and consultations during 2009 and early 2010

- **April 2009 – The draft Housing Bill (consultative):** two main components were Right to Buy reform and modernisation of social housing regulation
- **April 2009 – implementation of Section 11 of Homelessness Act 2003:** where mortgage lenders,

private landlords and Registered Social Landlords (housing associations) must notify local authorities (LAs) of repossession proceedings

- **June 2009 – *Investing in Affordable Housing – the Way Forward***: setting out the government's intentions post consultation on investment reform
- **June 2009 – Climate Change (Scotland) Act**: creates a statutory framework for reduction of greenhouse gas emissions
- **July 2009 – *Social Landlords in Scotland: Shaping up for improvement***: Scottish Housing Regulator's (SHR's) analysis of RSL performance over the last five years
- **September 2009 – Scottish Government Allocations Policy Review**: publication of conclusions and recommendations along with the government's response
- **December 2009 – RSLs and Homelessness**: SHR's thematic report on the contribution that RSLs make to preventing and alleviating homelessness in Scotland
- **December 2009 – National Housing Trust proposals**: to finance mid-market rent and to help kickstart mothballed or stalled development sites
- **January 2010 – The Housing (Scotland) Bill**: laid before Parliament
- **January 2010 – Homeless Person Interim Accommodation (Scotland) Regulations 2002** – amending existing regulations to make greater use of private rented sector in rehousing unintentionally homeless households.

Summary

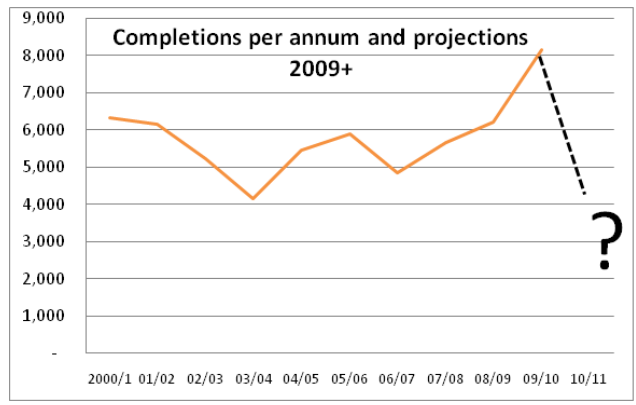
This paper reviews key housing policy legislation and events in Scotland over the last year. Soundings have been taken from eight senior individuals from local authorities, RSLs and the private sector working in the housing sector to obtain their opinion of last year's events and gain their insight for the coming year. Not surprisingly, people are struggling to square the circles of meeting housing need and manage increasing complexity in the sector, alongside financial challenge and efficiency demands. Three key themes keep recurring: how to deliver affordable housing supply; meeting the homelessness 2012 target; and the challenges of the financial context and efficiency agenda.

The housing market and demand for affordable housing

This time last year we were still waiting to see how far Scottish house prices would fall from their peak of mid 2008. Now it seems the worst is past (for now at least): Scottish prices dropped 4.5% from their peak by Q3 2009 – compared to a UK drop of 9.6% by Q3 2009 from the peak in Q3 2007.¹ Since then, depending on which forecast you read, there have been modest annual house price rises in Scotland of up to around 1% and the trend in volume of residential sales has been up since mid-2009.² Mortgage lending to first-time buyers in Scotland increased in Q3 2009 by 26%, but overall the mortgage market is still down 10% on the same time last year, showing a lag to the rest of UK where there was an increase of 25% in mortgage lending.³ This gradual increase of confidence of lenders has also been demonstrated by the increase of mortgage products, and the Council of Mortgage Lenders (CML) reported that, for those able to access a mortgage, home ownership is currently the most affordable it has been for five years.

Despite a few indicators in January muting some stabilisation in the economy, there are still questions over projected increases in unemployment and further redundancies. This coupled with the effects of the looming general election means it is far too early to draw conclusions on recovery. Meanwhile the private landlords and social housing providers confirm the demand for rented accommodation is as high as they can remember and increasing.⁴

Affordable housing supply



Source: Analysis on Scottish Government statistics and AHIP 2009/10
<http://www.scotland.gov.uk>

According to the Scottish Government, in 2009 new supply of affordable housing in Scotland was at its highest since records began. The impetus in additional supply has been achieved through accelerated funding, bringing forward future spend to 2009/10. Some of the volume increase has been enabled through the ‘new’ players: there has been a positive response by local authorities to restart housebuilding – this has been encouraged by what some have called a ‘paltry’ incentive of £25,000 per unit, compared to the typical £65,000 subsidy used by Scottish RSLs. This initiative has inevitably raised concern from some RSLs who argue local authority rents are being raised too rapidly to finance development, and a small number see it as unwanted competition. However, other RSLs are working with local authorities in delivering council houses as development agents, and there seems to be a number of conversations brewing between the Scottish Government, local authorities and RSLs to find the optimum system, rent levels and subsidy level to maximise the number of units for the public purse in this period of financial constraint and critical housing need. This will require putting rivalries aside and working effectively with the private sector to maximise funding sources and procurement efficiencies. This theory has been suggested in the Scottish Government’s conclusion to its

consultation on investment reform, with practical proposals now being developed through various working groups.

Suggestions from those delivering in the field suggest more sticks will be required to drive through this part of the efficiency agenda.

Constraints on public sector expenditure will mean no infilling of the accelerated spend and so steep cuts from 2010/11 onwards: from nearly £800m in 2009/10 to £471m in 2010/11, 75% of which has already been committed.⁵ The strong activity in the affordable housing sector in 2009 has softened the blow for some housebuilders during the worst of the downturn where private sector housing starts in mid-2009 were down by over 60% on the same period in 2008,⁶ although NHBC suggests there are signs of private sector starts increasing again.⁷

Stretching the affordable housing supply purse will increase through other means including mid-market rent (Housing Association Grant available since October 2009 for up to 40% subsidy), and 'more innovative' financing methods. These include no grant solutions perhaps combined with various forms of equity and/or institutional investment. One such innovative solution is that proposed through the National Housing Trust, aimed at kickstarting mothballed or stalled development by financing housing for mid-market rent. This is to be targeted to households who are in work on lower incomes, but cannot afford to own: typically with household incomes of between £15,000 and £25,000. Finance will come through the Public Loans Works board and private finance. The Scottish Futures Trust is leading this initiative and is now looking for further discussions with interested local authorities.

Homelessness and 2012

In November the SHR stated ‘*arguably* homelessness is the most acute form of housing need’⁸ – no doubt those working in homelessness would say there is no argument. The SHR then explained that local authorities are still relying on their own houses to house statutorily homeless and in 2008/9, RSLs in Scotland gave only 22% of their lets to homeless households referred by councils. This proportion of lets has increased by only 1% in each of the last two years, despite a significant increase in the number of referrals. The SHR recognises that the Scottish Government 2012 target⁹ is important and provides assurances that performance in this area will be closely monitored. According to the SHR, referrals work where there is commitment from the organisation’s leadership, and good relationships with the local authority. In particular, RSLs and local authorities need to get better at sharing information about applicants’ needs and should communicate more openly about lettings and demand. It concludes that RSLs should do more to contribute towards the alleviation of homelessness and that the Scottish Government should consider further guidance for councils and RSLs on the right balance of lets to homeless people and other people in need. There’s only two years before the 2012 deadline, and the SHR considers the time may be right for a discussion about this balance and how the 2012 target should be delivered.

Many local authorities and RSLs are now working effectively together to ease tensions through common housing registers, and in some cases common housing allocation policies. However, the crux of the problem in most areas is undeniably the shortage of social housing supply: this will continue to make the extension of priority need and balancing communities a difficult circle to square. Meanwhile the Scottish Government is trying to help through various regulations – Section 11 of the 2003 Homelessness

Act implemented in April 2009 where notice of repossession proceedings must be notified to the local authority, and the review of the existing Homeless Person Interim Accommodation (Scotland) Regulation 2002 laid before Parliament in January 2010 which will enable greater use of private rented housing as secure accommodation.

More contributions should come through the work of the Scottish Government's Allocation Policy Review Advisory Group. A number of accepted recommendations relate to more specific guidance to alleviate and prevent homelessness including tenancy sustainment, training to provide information and advice, reasonable preference to homeless applicants and monitoring allocations to homeless households, and encouragement to develop relationships with relevant agencies and housing providers to help manage homelessness obligations. But will this guidance be in place soon enough to make an impact on the 2012 target?

Putting regulations and guidance to one side, in moving forward towards 2012 a more fundamental question has been posed: does anyone know what the current Scottish administration's actual interpretation of the 2012 homelessness target is? As one local authority director put it:

"Clearly it is easy to say everyone has entitlement to permanent accommodation by that date. If that is the meaning of the target, then no problem. If however there is an expectation that permanent housing will be available for those people to move into then I'm afraid there is no chance in many areas."

Efficiency agenda

Last and by no means least – financial constraint and the efficiency agenda.

Regardless of whether they are working in the private sector, public sector or voluntary sector, those consulted for this paper are bracing themselves for less development grant, less revenue support for frontline services and an uncertain political context – at the UK, Scottish and local government levels.

Local authorities are trying to manage the Council Tax freeze, and squeezes on revenue is driving cost-cutting, withdrawal of non-statutory services, structural reviews, review of charging policies and a more commercial approach the commissioning of external services. In 2009, this was most publicly demonstrated by the City of Edinburgh Council which has arguably taken a very brave and bold approach to commissioning its entire portfolio of housing support services. Not surprisingly, this approach has been almost unanimously rejected by the incumbent voluntary sector service providers to the extent that an independent consultancy has been instructed to review the process. Whatever the eventual outcome of the City of Edinburgh Council process, RSLs and the voluntary sector as a whole are bound to come across similar (if not so brave) methods across Scotland if efficiencies are to be achieved, and the capacity with the Supporting People budgets are to be stretched for the benefit of more service users. A more formal contractual and less relationship-based approach will no doubt result, some argue at the expense of local voluntary and social enterprises.

Another notable example of the search for efficiencies is in the Clyde Valley. Sir John Arbuthnott was commissioned by the eight councils in the Clyde Valley Community Planning Partnership to examine existing shared services

initiatives and identify opportunities for further development of shared and joint working.

The Clyde Valley Review was published in November and recommends:¹⁰

- Closer working between local authorities and health boards to create an integrated health and community care service in each local authority area
- An integrated approach to waste management
- A single social transport solution
- A joint and streamlined approach to fleet management and maintenance
- A shared roads maintenance programme
- Property sharing and management in local hubs
- A joint approach to 'back office' services
- Joint workforce planning
- A common charging framework.

Organisational reviews are not exclusive to the LA sector. Closely after the appointment of Martin Armstrong as Glasgow Housing Association's Chief Executive (ex West Lothian Council) the RSL announced a major review which will result in the loss of 200 managerial jobs and an overall cost reduction of 10%.¹¹

The current financial crisis provides a new and strong angle for those that have argued for some time for the need for constitutional partnerships and mergers in the traditional RSL sector in Scotland, particularly between the strong developers and low debt associations. But many of these opportunities continue

to be lost – during 2009 there were at least five examples of RSL chief executive posts advertised where there were some obvious synergies between two or more organisations. Some argue these as lost opportunities for efficiency and strength that ultimately would benefit tenants and other service users, but that there are insufficient incentives in the Scottish Government or SHR systems to break traditions. Others continue to claim the advantages of being small and local.

In terms of efficiency and performance management, the SHR's publication in the summer *Social Landlords in Scotland: Shaping up for improvement* provided a useful analysis of performance over the last five years. Findings from this and the SHR's most recent RSL inspection reports published in the summer provide strong messages of the SHR's direction of travel which is likely to be held regardless of SHR organisational reform proposed by the Housing Bill. Key priorities are:

- Self-assessment – RSLs must move more towards self-assessment and governance, with less reliance on periodic inspections for verification of performance
- Customer focus – must be embedded in all the housing provider does; involvement must be shown to have real impact on services and policies; and there should be a wide range and genuine means through which tenants can participate in decision-making
- Continuous improvement – there must be strong links evident between strategy, business planning, performance management and people development (the golden thread)
- Efficiency and value for money – organisations need to place a much higher priority on effective business planning and financial performance

which should sensitised through a range of scenarios. There should be awareness of running costs, and the need for value for money across the organisation and there should be a specific plan in place to improve value for money and efficiency.

Conclusions

Like all other sectors in the economy, the financial climate will set the tone in the housing sector over the next two or more years. However, over and above the difficult challenge of making the books balance, local authorities and RSLs have the enormous challenge of meeting increasing housing need fuelled by the recession. But like in other sectors of the economy, organisational survivors will be those that put customers at the centre of their businesses, providing exceptional customer service and value for money – for the benefit of existing customers and to stretch resources for investment in new services and new housing supply.

1

<http://www.scotland.gov.uk/Resource/Doc/1035/0092528.pdf>

2 http://www.ros.gov.uk/pdfs/2009_11_statsrelease.pdf

3 <http://www.cml.org.uk/cml/media/press/2475>

4

<http://www.scotland.gov.uk/Resource/Doc/1035/0092528.pdf>

HBJ Gately Wareing conference on 'Investing in Affordable Housing' June 2009 and consultations for this report December 2009

5 Scottish Government at HBJ Gately Wareing conference Investing in Affordable Housing, June 2009

6 <http://www.scotland.gov.uk/Topics/Statistics/Browse/Housing-Regeneration/HSfS/NewBuildPrivate>

7

http://www.nhbc.co.uk/NewsandComment/Name_39377_en.htm

8

http://www.scottishhousingregulator.gov.uk/stellent/groups/public/documents/webpages/shr_rslsandhomelessness_themat.pdf, see page 3 paragraph 5

9 The 2012 targets commits that all unintentionally homeless will be entitled to a permanent home

10 [http://www.renfrewshire.gov.uk/ilwwcm/publishing.nsf/AttachmentsByTitle/ce-ClydeValleyReviewNov09.pdf/\\$FILE/ce-ClydeValleyReviewNov09.pdf](http://www.renfrewshire.gov.uk/ilwwcm/publishing.nsf/AttachmentsByTitle/ce-ClydeValleyReviewNov09.pdf/$FILE/ce-ClydeValleyReviewNov09.pdf)

11 *The Herald*, 29 December 2009