

Housing Emergency

– SFHA submission to the Parliament’s Local Government, Housing and Planning Committee, July 2024

Introduction

SFHA is the voice of Scotland’s housing associations and co-operatives. We work to strengthen the social housing sector in Scotland by influencing change and supporting members. We do this in a number of ways: by gathering evidence, influencing policy, working with politicians and parliaments, providing guidance and connecting our members.

We know that social homes make lives and places better. We also know that Scotland urgently needs more social homes and that it’s important that housing associations and co-operatives are supported and heard.

It is everyone’s right to live in a safe, warm and affordable home, in a thriving community. There’s no doubt that this right is currently being undermined across Scotland.

We welcome this vital inquiry from the Committee as part of our national response to the emergency, particularly when the Scottish Government’s formal response offered nothing new or substantive, certainly not at the scale or recognising the urgency that is needed. **SFHA, Shelter Scotland, Joseph Rowntree Foundation, ALACHO, CIH and Homes for Scotland came together to outline a cross-sector Housing Emergency Action Plan¹ This coalition firmly believes that the solutions provided should be taken forward urgently by Scottish Government.**

1. Why are housing emergencies being declared across Scotland?

Scotland is in the grip of a national housing emergency. We have record levels of homelessness, record numbers of people living in temporary accommodation, and a quarter of a million people on a social housing waiting list.² At the same time the pipeline of new social homes is slowing to worrying levels not seen since the 1980s. Housing association starts (2,073 homes) in 2023 were at the lowest number since 1988.³

Eight of Scotland’s 32 councils have now declared a housing emergency.

- Argyll and Bute (June 2023)
- Edinburgh City (November 2023)
- Glasgow City (November 2023)
- Fife (March 2024)

¹ <https://www.sfha.co.uk/mediaLibrary/other/english/119102.pdf>

² <https://solace.org.uk/housing-in-scotland/>

³ <https://www.gov.scot/publications/housing-statistics-for-scotland-new-house-building/>

- West Dunbartonshire May 2024)
- Scottish Parliament (May 2024)
- Scottish Borders (May 2024)
- West Lothian (May 2024)
- South Lanarkshire (June 2024).

These housing emergency declarations highlight significant and acute issues related to homelessness, affordable housing shortages, and increased demand for social housing across regions. The councils are urging both the Scottish and UK governments to increase funding and support to address these housing challenges effectively.

The key driver for local authorities in terms of making these declarations will be their inability to meet statutory duties towards homeless people. In February 2023 the Scottish Housing Regulator identified in their Thematic Review that there was an emerging risk of systemic failure in Scotland's homelessness services, and that an adequate supply of permanent, affordable housing provided by councils and RSLs is vital in ensuring that people who are homeless secure a suitable permanent home. This systemic failure is writ large with recent figures (April to Sept 2023) showing:

- 30,274 open homelessness cases- the most on record
- A record level of 15,625 households in temporary accommodation, including an 8% increase in the number children living in temporary accommodation to 9,860, a 138% increase in 10 years⁴

Since the formation of the Scottish Parliament, there has been much to celebrate for housing and homelessness policy. We know that Scotland has some of the strongest legal protections for homeless people and we have seen that bold and effective policies have improved people's housing outcomes, from the removal of priority need for single homeless people to the scrapping of right to buy. However, we must recognise that the housing emergency we now face is the result of crippling underinvestment in the building of social housing and a lack of political will to shift spending from crisis intervention to prevention.

We recognise that the Scottish Government's Housing to 2040 and Ending Homelessness Together plans set out ambitious aims that should drive change over the long term. Both plans, however, have been fatally undermined by lack of action and resourcing.

We know what must be done - build more homes, prioritising government-subsidised social homes to keep rents affordable and invest in helping people keep the homes they have. The country's housing emergency will not be over until the number of people becoming homeless is falling year on year; no local authority is in systemic failure in terms of delivering homelessness and housing services; and we are building enough affordable, accessible, energy efficient homes in the right places to meet the needs of all those living in Scotland.

⁴ <https://www.gov.scot/publications/homelessness-in-scotland-update-to-30-september-2023/>

Issues for housing associations

As a sector, we have been in a seriously challenging position for some time, operating in a context of increasing economic limitations and volatility, an ongoing cost-of-living crisis, increased pressure on housing support and other services, heightened regulatory requirements and growing expectations to improve standards.

The Scottish Housing Regulator (SHR) highlights what we've long heard from members – that housing associations are caught between the imperative of maintaining rents at affordable levels for tenants and investing in sustaining tenancies, decarbonisation, the maintenance of ageing properties, community support programmes, and developing new homes. In many cases, housing associations are having to limit spending in many of these areas to keep rents affordable, as outlined by the Scottish Housing Regulator.⁵

For housing associations, tackling homelessness is at the core of their purpose and our members are already strong partners in delivering housing options for homeless households. Even before recent local efforts by Registered Social Landlords (RSLs) to increase lets to homeless households, some members already let an average of over 60% of their stock to homeless households. Through Housing First, tenancy sustainment and housing support services, RSLs and the third sector have shown that people who struggle, such as financially or health wise, can live successfully in their homes.

The long-awaited prevention duties in the new Housing Bill have been described by some as world-leading and, if implemented and resourced properly, these duties could provide much better outcomes for people with unstable housing. This should include a reduction of homelessness and housing crisis, a more efficient system, and a more dignified, less traumatic and stigmatising experience for people, and stronger protections for those in vulnerable housing situations.

However, it is clear that legislation alone cannot achieve the policy objectives for homelessness prevention set out unless it is backed by sufficient resources to support implementation. Without this, the proposals may simply increase the extreme pressures already being faced by local authorities and RSLs - without relevant bodies being supported to 'act' as well as 'ask' and the required funding, training and explicit guidance provided by Scottish Government, this cannot be a success.

The Financial Memorandum to the Housing Bill identifies £8million for local authorities over a 3-year period to support implementation of prevention duties, however these duties are significant and broad. We are not aware of any detailed assessment of the level of funding or resources required to implement these duties and believe it is unlikely that this is therefore sufficient to achieve the transformational change required.

⁵ <https://www.housingregulator.gov.scot/landlord-performance/national-reports/financial-analysis/summary-of-registered-social-landlord-financial-projections-202324-202728/#section-2>

The final report of the Scottish Government's Homelessness Prevention Task and Finish Group, outlines the huge shifts needed in order to realise the potential of the proposed duties, which does not come without cost. It recommended a full financial assessment to ensure that all public bodies affected by the new duties have the budget to fulfil them.

The report also identifies the need to embed a person-centred ethos of prevention and support throughout organisations. However, as designated 'relevant bodies', our members need the resources, the guidance, and the training to appropriately ask and act for those at risk of homelessness.

We know that upfront investment in homelessness prevention will save money in the long term. SFHA has supported 11 individual homelessness prevention projects delivered through Scottish housing associations at overall funding of £1.5million. The impact and social return of investment from the activities and support enabled by this fund have recently been evaluated by the Housing Associations Charitable Trust (HACT), a UK wide organisation which has worked to improve social housing since the 1960s. The HACT assessment showed £31.6m of social value was created from the activities across all 11 projects and created a Social Return on Investment of 1:21.

Significantly, this £31.6m, includes £4.9m in secondary social value, in terms of wider financial savings to the state, showing that not only does increased and targeted funding for Homelessness Prevention display real impact to person centred social outcomes, it is also a practical investment for the Scottish Government.

2. Factors influencing increased demand

Cost of living crisis and rent increases

Rents in the private rented sector (PRS) have increased across Scotland, which has knock on implications for increased demand in the affordable and social rented sector. Rents have increased across all 18 Broad Rental Market Areas (BRMA) of Scotland in the year to September 2023. The average change was 14.3% annually for a two-bed property (the most common size) or £105 per month. The increases ranged from 1.5% in Dumfries and Galloway up to 22.3% in Greater Glasgow. Increases in 11 of these areas were above the average 12-month UK CPI inflation rate for the corresponding period of 9.0%.⁶

In this context the demand for affordable housing across the board has rocketed, with members reporting hundreds of applications for single Mid-Market Rent (MMR) homes (in the PRS) in a day and having to remove adverts within hours of posting. Many of these applicants will not qualify for social housing and will remain on RSL

⁶ <https://www.gov.scot/publications/private-sector-rent-statistics-scotland-2010-to-2023/>

social waitlists indefinitely. MMR is aimed at people on low and modest incomes to access affordable rented accommodation. It helps those who have difficulty accessing social rented housing and who cannot rent privately on the open market or buy their own home. MMR rents are already effectively controlled through being linked to local housing allowance, with rents also including service charges and tenants able to access all the support social tenants are provided with.

This is all while affordable housing options in the PRS have declined, similarly to social builds. New starts of 'other affordable' rental homes for the last two financial years (2021- 2023) averaged 711 homes per year. This compares to an average of 1,526.75 per year in the four years prior (2017-2021).

Lower turnover in social housing

Tenancy turnover – i.e. the number of relets – in social housing has reduced markedly in recent years. The Scottish Housing Regulator reported in autumn 2023 that the total of 51,000 lets in 2022/23 was down 1,700 on the previous year and nearly 5,000 down on 2019/20.

Of course this is positive for many, as social homes are intended to be homes for life. People may be staying in their homes for a number of reasons, including the range of tenancy sustainment services that RSLs provide such advice (welfare rights, employment, energy etc).

For many of our members this means that even where (as is commonly the case) they have increased the proportion of their overall lets which go to homeless households, it is a larger percentage of a smaller number of relets.

Only route to social housing

Housing associations are expressing serious concerns that homelessness will soon be the 'only' route to accessing social housing, if the numbers of people experiencing homelessness and in temporary accommodation remain as they are. New supply is critical to being able to meet all the various priorities of RSL waitlists and community needs: e.g., young families, key workers, domestic abuse survivors, veterans, people with disabilities, and so many more.

Current local authority requests that nearly 70% of RSL homes are allocated to homelessness referrals are unsustainable for some of our members and will require significantly increased tenancy sustainment and support services that are not currently being funded. We know that while some of our members have been able to agree to 67%, many cannot deliver on more despite strong commitments to reducing homelessness because of other demands.

3. Potential solutions

As we set out above, we believe the housing sector's Housing Emergency Action Plan provides a pathway to addressing the emergency.

Key solutions include:

- At a minimum, the successive cuts to the affordable housing budget must be reversed. These amount to almost 40% over two years.⁷
- Funding should be provided to RSLs to bring homes bought under the Acquisitions Programme up to standard – this would result in letting property more swiftly and funds potentially diverting to building new homes and / or sustaining tenancies.
- Exempt Mid-Market Rent homes from private sector rent controls when provided by an RSL or its subsidiary to maintain a much-needed tenure.
- Reopen the Homelessness Prevention Fund with adequate funding for RSLs.
- Adequately fund a cross-tenure framework for adaptations so housing associations can adapt their stock for tenants with disabilities
- Adequately fund the social housing sector transition to net zero so the burden does not fall on social tenants.
- Deliver a fair, affordable, achievable and deliverable Social Housing Net Zero Standard.

Long-term void or unlettable property

The main social sector data we are aware of confirms that although there are isolated examples, there is relatively little ‘unlettable’ property owned by housing associations. Our member associations are not sitting on property they cannot let nor have plans to address.⁸

Scottish Housing Regulator Annual Charter Returns indicate that RSLs are performing relatively well on the average length of time to re-let properties, or void times. The ‘22/’23 data shows that RSLs re-let properties quicker than other providers (44.1 days compared to 66.9 days), although this time has increased slightly since the year prior (43.9 average calendar days for ‘21/’22 as compared to 44.1 days for ‘22/’23).⁹ Some of the contributing factors to delays, including tradespeople shortages and energy supply issues, are described below.

We should also note that the percentage of lettable homes decreased between ‘21/’22 and ‘22/’23.¹⁰ While this may be viewed as a challenge in a housing emergency and falling supply, it also indicates the success of tenancy sustainment efforts and increasing choice or ability of social tenants to stay in their homes. More social tenants are remaining in their homes for longer, with a 0.6% increase in the

⁷ <https://fraserofallander.org/scottish-budget-2024-25-initial-reaction/>

⁸ <https://www.housingregulator.gov.scot/media/1987/stock-data-all-social-landlords-complete-dataset-20230831.xlsx>

⁹ Scottish Housing Regulator, charter indicators and data by outcomes and standards 2022-2023. Indicator 30. Available at: <https://www.housingregulator.gov.scot/landlord-performance/statistical-information/>

¹⁰ Scottish Housing Regulator, charter indicators and data by outcomes and standards 2022-2023. Indicator 17. Available at: <https://www.housingregulator.gov.scot/landlord-performance/statistical-information/>

reported proportion of new tenancies sustained more than a year between '22/'23 and the year prior. ¹¹

Meter issues and energy company delays

In relation to routine voids processing, SFHA would urge the Scottish Government to examine void figures in the context of meter issues and energy company delays to gain a better understanding of how these issues are contributing to the ongoing housing emergency.

SFHA members have reported increasing concerns about energy company meter installations and repairs as a driving factor behind housing voids. In both rural and urban areas, long waiting times and aborted appointments (requiring the rescheduling of an installation or repair) are preventing properties from being let to new tenants. Examples have been provided by SFHA members where eight missed appointments for one property has resulted in it sitting empty for more than five months. In another case, an attempt to switch from one supplier to another in a void property has taken six months, resulting in the housing association losing in excess of £3,000 in rent, the postponement of a much needed tenancy and requiring the installation of a replacement boiler due to the current one not having been used for the duration of the delay. In more rural and remote areas, members have reported more frequent and longer waiting times due to utility company staff shortages.

Adequate data sharing

In terms of other strategies to address voids, Some SFHA members are employing void-led strategies to meet section 5 referral requests (requests for permanent accommodation from the local authority). But we have heard from members about valid reasons for lack of matching: out of date household information (for example, circumstances, needs, size, location), higher refusals because applicants do not know the RSL geography, and more. This explains the lack of uptake to these strategies; effective local authority resourcing, partnership working, and data maintenance remain essential to effective void-led allocations. In some local authority areas, including Glasgow and Aberdeen, matching services are used to help ensure people are offered property in areas they want to live in, increasing the chance they will take up the tenancy and sustain it.

Near Me

Nearly 30 SFHA members are using or rolling out Near Me technology for tenants, which is a video calling platform used for remote engagement with public services. When used for pre- and post-tenancy home inspections and virtual viewings, Near Me has the potential to reduce void times and facilitate more efficient offer acceptances and move-ins/outs. Particularly in rural areas, or for people requiring additional support, using Near Me video technology for viewings and paperwork

¹¹ Scottish Housing Regulator, charter indicators and data by outcomes and standards 2022-2023. Indicator 16. Available at: <https://www.housingregulator.gov.scot/landlord-performance/statistical-information/>

assistance can help save time, enable choice, and allow new tenants to view and accept their offers efficiently. Members' experiences with Near Me technology during the pandemic demonstrated the value of virtual inspections and triaging for enabling remote support and, in some cases, reducing time and cost barriers. Near Me is also used by some housing association assets and repair teams to allow video assistance and appraisals with contractors where appropriate. Again, for some tenants and landlords, this option reduces travel time, enables faster and more effective repairs and maintenance expertise, and helps make homes tenancy ready as quickly as possible. One technical officer describes their experience with online inspections and reflects on the increased efficiency savings from using Near Me as follows,

“My experience with the trial period for online inspections was overall positive. Completing the inspections online proves to be a lot more efficient- cutting out travel times etc. I believe we could set aside only 10 minutes per inspection as within the week I hadn't went over this time (including inputting). The previous concerns regarding the technology behind the trial and the connection issues have also been little to none, I and the tenants seemed to find the instructions provided very useful and all tenants who attended online have successfully received their inspection result instantly with no need for an in-person inspection (bar one).”

Viewings and advertisements

SFHA members take various forms of action to reduce the gap between tenants giving their notice and new tenants being successfully offered homes to minimise void times. For example, Hillcrest advertises voids as soon as is practicable once a tenant has given notice to terminate their tenancy, allowing the allocations process to start right away. Like many other RSLs, they carry out viewings as early as possible and do not require all maintenance/repair works to be completed, where appropriate. By advertising and viewing as early as possible, this allows prospective tenants sufficient time to give notice for any existing tenancy and be read to move in on or very close to the fit to let date. For MMR properties, for example, RSLs may add alert systems to their websites to notify prospective tenants when a property matching their desired criteria is advised, which allows tenants to give notice for their existing tenancies as soon as possible and be ready to move in on target dates.

4. Strategies for acquiring and buying back properties

The 100% acquisitions funding in Glasgow in 2023 was an important resource in supporting Glasgow RSL acquisitions—but this has since ended. The £80m announced for acquisitions over two years by the former First Minister has been welcomed by our members but this funding does not negate the need for affordable housing development funding and does not make up for the near £200million AHSP cut this financial year.

We have also had a number of recent enquiries from members that suggest a need for clarity about the process and criteria for accessing funding for acquisitions—the housing market is competitive and moves quickly and clarity on how funds are distributed across local authorities and between RSLs and councils would also be

beneficial, with an emerging case to fund housing associations directly so they can act quickly to acquire property.

Our members are also reporting the need for additional funding to bring acquisitions up to SHQS and EESSH requirements. One estimate is that it costs approximately £10,000 per property to bring acquisitions up to SHQS and EESSH, but this figure will vary significantly across our membership based on location and stock.

The establishment of an empty homes officer at each local authority is reported by members to be a useful resource. For example, Atrium Housing Association, who have acquired circa 20 properties over the last 5-6 years within their existing estates, have worked very successfully with their local empty homes officer and local estate agents to increase their stock and deliver more homes. 1,257 homes have been brought back to use in 2022/23, bringing the total brought back into use since commencement of Scottish Empty Homes Partnership to 9,014.

Acquisitions are not always appropriate for RSLs, and the following situations affect RSL decision-making:

- Whether RSLs are majority owners in a block
- Whether the acquisition will help the RSL meet specific tenant needs, e.g., accessibility and adaptations, bungalows, or the right number of bedrooms
- Whether the homes are in the right location for specific industries/supporting employment and community service sustainability (e.g., with Mid-Market Rent (MMR) for key workers)

The key point is that not all empty/vacant properties are a match and will constitute a reasonable/low-enough risk/strategic acquisition for RSLs, who need to ensure value for money and the right stock for local need. RSLs will use robust survey processes to assess the levels of works required to relet the properties and how this aligns to their individual future works strategies and budgets.

While RSLs are looking to acquire stock, they also risk having to sell back stock, as several different RSL subsidiaries have told us with reference to their MMR stock if subject to the PRS rent controls proposed in the Housing Bill (see above). SFHA surveyed members with MMR stock in April 2024 and almost 60% now have zero MMR properties in their development pipelines.

If housing policy is not aligned as a consequence of the housing emergency, we risk undoing efforts in some segments of the market through ineffective policy elsewhere.

The need to build

It is important to acknowledge that acquisitions and buybacks are just one route for meeting housing demand and delivering the goal of 110,000 affordable homes by 2032 and very much a marginal route at that. Looking at 2021-2022 data, 89% of the 8,588 social and affordable homes delivered in Scotland were new build and

10% were acquisitions. This included 'off the shelf' purchases of newly completed properties by developers on the open market, which have since slowed.

Fundamentally, in order to address the housing emergency we need to refocus on building social homes at scale. That requires Scottish Government funding.

Housing associations more than double government investment for new homes with money borrowed on the private market. Government investment of £3.4bn in this parliamentary term will have a real value of over £7bn through our members' borrowing. Housing associations and co-operatives work every day to deliver economic growth with a clear social purpose.

However, we have been concerned by the recent emphasis on increased private finance. Expenditure on interest costs has typically represented around 12-14% of our members' income over the past five years. Any shift in balance towards private finance and away from public investment will create higher borrowing costs for our members and therefore higher rents for tenants – as the only means housing associations have to pay it. We have also seen through England's experience that reduced public investment and more private finance means fewer social homes are delivered: instead, this model builds more shared ownership and other models, which, though valuable, do not have the same track record in reducing poverty as social homes.

SFHA would be happy to engage further with the Committee on any aspect of our submission.