



## **Scotland's public finances in 2022-23 and the impact of Covid-19**

### **Evidence submitted to the Finance and Public Administration Committee 13 August 2021**

This is a response to the consultation by the Scottish Parliament's Finance and Public Administration Committee on the financial impact of Covid-19 and priorities for the Scottish Government budget next year.

### **The impact of Covid-19 on the housing sector**

The pandemic has shone a light on the importance of good quality housing and outdoor spaces to allow people to work, study and socialise more flexibly. It is also clear that people did not experience the pandemic equally - those living in poor or overcrowded housing faced additional stress and many people faced social isolation and loneliness.

Precarious employment, reduced earnings and redundancies meant that many tenants struggled to keep up with rent and while temporary restrictions on evictions have ensured that we have avoided a significant increase in homelessness to date, we are concerned that in the longer term many households will find themselves homeless. The winding up of the furlough scheme in September is likely to lead to a significant increase in rent arrears in the social and private rented sector if further financial support is not made available to tenants.

While the number of homeless households has not increased significantly during the pandemic, those who have lost their homes have faced lengthy stays in temporary accommodation as it has taken longer to get empty homes ready to let. In some areas, local authorities have had to make use of B&Bs and hotels to meet demand, reversing some of the progress made towards meeting the ambitions of Rapid Rehousing Transition Plans (RRTPs) and the extension of the Unsuitable Accommodation Order (UAO).

### **Priorities for the 2022-23 budget**

#### **Investing in affordable housing and communities**

The provision of homes that are affordable and meet people's needs is essential to people's mental and physical wellbeing. Good housing creates communities that

are resilient and sustainable and that contribute to the economy. The Scottish Government has recognised that we need to deliver homes that are fit for the future and has committed to new and better standards for homes delivered through the Affordable Housing Supply Programme (AHSP) including indoor and outdoor space standards, accessibility, digital connectivity, energy efficiency and fire safety measures.

We welcome the Scottish Government's commitment to deliver 100,000 social and affordable homes by 2032. However, we are concerned that the £3.3 billion funding promised for the first 50,000 homes will not be sufficient to provide the high quality homes that are needed while keeping rents affordable.

[Recent research](#) published by the Scottish Federation of Housing Associations (SFHA) estimates that the average cost of delivering a new home increased by £24,000 during the lifetime of the last Parliament. This does not take into account any of the new standards suggested by the Scottish government for homes delivered through the AHSP in future.

In addition, current benchmark subsidy rates are lower for local authorities than for housing associations meaning that local authority tenants are more likely to have to cover additional costs through their rental payments.

The Scottish Government must continue to work with the housing sector on the review of current benchmark subsidy levels. As we have seen, tenants' rents are already rising above inflation, and a [report](#) from the Scottish Housing Regulator indicates that registered social landlords' average rents are forecast to increase by around 2.5 percent each year during the period 2021-2025. The report from the 2021 affordable housing investment benchmarks working group will soon be published and set benchmarks for the next parliamentary term. It is essential that adequate funding is provided for new social and affordable homes if the sector is to deliver much needed homes while keeping rents truly affordable.

- **We urge the Scottish Government to take additional costs of delivering affordable housing into account when revising subsidy levels.**
- **The subsidy levels for local authorities should be increased in line with those for housing associations.**

### **Arrears and evictions**

[Monthly statistics](#) published by the Scottish Housing Regulator up until March 2021 show that arrears in the social rented sector have increased but remain under control. Housing association arrears reduced from a peak of £64.8 million in August 2020 to £60.09 million in March 2021. Local authority arrears reached £104.68 million in November, dropping to £100.62 million in March.

This is likely due to ongoing support for tenants through the Furlough Scheme and temporary uplift to Universal Credit and intensive support provided by social



landlords involving income maximisation and links to third sector organisations providing help with access to food and other essentials.

While the total level of arrears is reducing, long term financial stress could impact on business viability, rent levels and plans to deliver new affordable housing.

Court actions and Notices of Proceedings are going ahead in the social rented sector with the vast majority linked to rent arrears.

Analysis by the Scottish Association of Landlords shows that while the First Tier Tribunal is now up and running again, eviction proceedings against private sector tenants remained low during the height of the pandemic. We expect that without ongoing financial support for tenants from the Scottish Government this number will increase significantly as UK Government support through the Furlough Scheme and Universal Credit uplift are withdrawn. This will further increase pressure on homelessness services and costs for local authorities.

- **The Scottish Government must continue to provide financial support for social and private tenants to avoid increases in arrears and an increase in homelessness. This could be provided through Discretionary Housing Payments (DHPs) but should also include funding for the tenant hardship grant for tenants who are not eligible to receive DHPs.**

### **Homelessness and temporary accommodation**

The number of homeless presentations has remained fairly steady throughout the pandemic. Scottish Housing Regulator [monthly statistics](#) showed that homeless presentations had increased from 2,293 in April 2020 to 3,214 in March 2021. This compares to an average of 3,071 presentations each month [during 2019-20](#).

Avoiding significant increases in the number of homeless households is likely due to the levels of financial support that have been in place through the furlough scheme, temporary £20 uplift in Universal Credit, Scottish Government loans and grants for tenants and local support offered by social landlords and third sector organisations. The restrictions on evictions have also prevented or delayed any action being taken against tenants in the social and private rented sector.

However, while the number of homeless households has not increased to date, the number of households in temporary accommodation increased significantly to a peak of [over 14,000 in August 2020](#). This increase has been caused by low turnover of social housing stock, longer times taken to get empty homes ready for let and barriers to accessing alternative options such as private rent. While numbers in temporary accommodation are now reducing, the pandemic has caused significant setbacks for some local authorities in progressing Rapid Rehousing Transition Plans (RRTPs).



In April, CIH Scotland issued an online survey to all 32 local authorities and received detailed responses from 30. We asked about progress with RRTPs which aim to house people in permanent accommodation as quickly as possible if they become homeless and avoid the use of B&B and hostel accommodation. We also asked about the impact of the pandemic, funding and partnership working.

The findings included:

- Only 23 percent of respondents thought that the funding provided by Scottish Government to date had been adequate to achieve RRTP ambitions. Respondents stated that lack of resources meant having to scale back or slow down the implementation of plans. One has had to scale back their proposed Housing First provision by 50 percent.
- 90 percent of respondents said that the pandemic had affected their use of temporary accommodation with comments including increased use of B&B accommodation and longer stays. One local authority stated that they had been forced to make use of accommodation that would not usually be deemed suitable and that satisfaction rates had fallen.
- The full impact of the pandemic is not yet known but local authorities are likely to require further funding to make up lost ground and continue to implement RRTPs.
- RRTP funding is allocated annually making it very difficult for local authorities to transform services in any meaningful way. Respondents cited difficulty commissioning services and recruiting and retaining suitable staff with such short term funding.
- Funding allocations are based on the number of homelessness applications in each local authority area. This does not take account of local circumstances such as stock turnover, and means that smaller authorities or those with low rates of homelessness may not receive enough funding to make meaningful changes to service provision.
- 69 percent of respondents thought that more use must be made of the private rented sector if local authorities are to be able to meet RRTP ambitions but there are significant barriers to accessing the PRS in some areas including cost of renting, requirement for a deposit, reluctance from private landlords and the Shared Accommodation Rate applying to single people under the age of 35.

The full report and recommendations is [available online](#).

- **Scottish Government should provide longer term funding cycles of three to five years to allow local authorities to recover from the impact of the pandemic and achieve RRTP ambitions.**



- **The funding model should be reviewed to ensure that local authorities with a low number of homeless presentations receive enough funding to make the radical changes required to end homelessness.**

### **A green recovery from Covid-19**

Our homes account for around 15 percent of carbon emissions and in order to meet the Scottish Government's ambitious target of net-zero by 2045, homes across all tenures will have to be energy efficient and the majority of people will need to be using low or zero carbon heating systems. There are nearly 1.4 million homes in Scotland below EPC C which will need to be upgraded.

Meeting the target will be challenging and retrofitting energy efficiency measures and fitting renewable heating systems will be costly. The Scottish Government's [draft Heat in Buildings Strategy](#) estimated that it will cost around £33 billion to bring buildings up to standard. It is essential that we ensure these costs are not passed on to low income households, risking an increase in poverty. However, with sufficient investment from Scottish Government, the journey towards net-zero carbon presents an opportunity to create skilled jobs across the country and aid the economic recovery from Covid-19.

It is estimated that bringing homes up to EPC C and installing low carbon heating systems could support [24,000 jobs across Scotland each year up to 2030](#).

- **The Scottish Government must provide clear messaging on minimum energy efficiency standards across tenures and timescales for complying. This will provide certainty for landlords and homeowners and give manufacturers and installers the confidence to expand.**
- **The Scottish Government must significantly increase investment in energy efficiency and renewables ensuring access to grant or loan finance to support the improvement of homes and avoid the risk of poverty for low income households.**



### **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](http://www.cih.org).

### **Contact:**

Ashley Campbell CIHCM  
Policy and practice manager  
CIH Scotland  
[Ashley.campbell@cih.org](mailto:Ashley.campbell@cih.org)

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