

Local Government and Communities Committee call for evidence: The impact of COVID19 on the financial sustainability of local government in Scotland.



1. Introduction

The Chartered Institute of Housing (CIH) Scotland has been working with members and stakeholders throughout the Covid-19 pandemic to understand the impact and provide support and guidance for our members and the wider housing sector.

This submission has been informed by feedback from our Board, CIH members through online surveys and our participation in cross sector working groups including the Local Authority Resilience Group and Social Housing Resilience Group.

Despite welcome financial support from the UK Government and Scottish Government to help tenants pay their rent and additional funding for communities and to tackle the immediate issues with homelessness, we have concerns about the impact on local authority housing services.

2. Immediate financial impact

The Scottish Housing Regulator (SHR) has been monitoring the impact of Covid-19 on social landlords across Scotland through monthly reports¹. A number of key indicators clearly show increased pressure on local authority housing and homelessness services.

Local authority **rent arrears have increased from 7.18 percent in April when the first report was published to 8.14 percent in July**. The lowest reported arrears were 3.37 percent and the highest 12.91 percent.

During this time, **the total value of local authority rent arrears has increased by over £11 million**.

Rent provides vital income for local authority housing services and significant increases in arrears over the long term will have a detrimental impact on local authorities' ability to provide services to existing tenants, maintain and improve existing homes and deliver new affordable homes in line with ambitious Scottish Government targets.

Covid-19 has also placed additional pressure on homelessness services. The monthly SHR reports show **a rise in homeless applications from 2,293 in April to 3,057 in July** and there is concern that applications will increase significantly as the job retention scheme is ended in October. For context, the average number of homeless applications received each month during 2019/20 was 3,071². While it may appear that local authorities are not having to deal with an unusually high

¹ SHR Monthly Covid-19 dashboards: <https://bit.ly/2QUDQQG>

² Homelessness in Scotland 2019-2020: <https://bit.ly/3hXNn5u>

number of applicants, the circumstances in which they have been operating have been considerably more challenging.

Covid-19 restrictions created significant delays to empty properties being brought up to a lettable standard and an overall reduction in the number of properties available to house homeless households. While restrictions have been eased and the housing sector has been working to reduce turnover time and come up with creative solutions to support homeless households, we are facing a significant backlog of households in temporary accommodation.

SHR reports show that **the number of households in temporary accommodation has increased from 12,261 in April to an all-time high of 14,174 in July.**

It is our understanding that some local authorities have made use of Rapid Rehousing Transition Plan (RRTP) funding to provide essential items such as furniture to allow homeless households to move out of temporary accommodation and into settled accommodation more quickly. While this has provided an immediate fix for some homeless households, **it is essential that local authorities have the funding they need in the long term to tackle homelessness beyond the pandemic.**

We also note that regulations have been introduced to amend the Homeless Persons (Unsuitable Accommodation) (Scotland) Order to extend the UAO all homeless households, following a recommendation by the Homelessness and Rough Sleeping Action Group (HARSAG). The legislation limits the time all homeless households can be placed in unsuitable temporary accommodation to seven days. Prior to this extension, the Order only applied to households with children or pregnant women and prohibited local authorities from placing pregnant women or families with children into bed and breakfasts (B&Bs) or hotels for more than seven days. We recognise that local authorities have committed to reducing the use of temporary accommodation such as hostels and B&Bs in favour of mainstream accommodation wherever possible, as set out in RRTPs. However, without sufficient resources the deadline to comply with the extended UAO will only increase pressure on local authorities already dealing with an increase in demand for temporary accommodation due to Covid-19 and likely lead to breaches in some areas.

3. Longer term financial impact

CIH carried out an online survey of members in April asking about the immediate and potential longer term impact of Covid-19. The responses were wide ranging, indicating that the full impact of Covid-19 was not yet understood, but members did raise a number of issues that could potentially affect long term financial sustainability including:

- **Delays or scaling back of planned affordable housing development** with estimates of the time required to “catch up” on development plans ranging between three to four months up to five years.
- **Impact on projected rental income** and subsequent effect on borrowing ability and interest rates.
- **Expected continued increase in rent arrears**, especially as the UK Government jobs retention scheme is withdrawn.

We welcome the commitment to deliver the remainder of the 50,000 affordable homes target as set out in the Programme for Government³ and the commitment to new standards for indoor and

³ Programme for Government 2020-2021: <https://bit.ly/3gX82oP>

outdoor space and digital connectivity. However, the document lacked detail on how new standards will be funded and whether grant levels would be revised to reflect any additional costs.

Local authorities also have no certainty of Scottish Government intentions for affordable housing supply beyond the current programme. The £300 million interim funding is not adequate for planning a new delivery programme on the scale required. Research published by CIH Scotland, Shelter Scotland and the Scottish Federation of Housing Associations (SFHA) demonstrated the **need for 53,000 new affordable homes to be delivered over the next five years 2021-2026⁴**.

As key delivery partners in the Affordable Housing Supply Programme, local authorities must be adequately funded to deliver these homes. While benchmark subsidy rates were revised and increased in 2016⁵, rates for local authorities were set at around 25 percent lower than for housing associations and this discrepancy cannot continue without costs being passed on to tenants through rent increases.

While we welcome the introduction of the new £10 million tenant hardship loan fund, it is not yet clear how this will operate or how well a loan will be able to support tenants who are already in significant financial difficulty. We look forward to further details on eligibility and repayment requirements.

We have concerns that the number of homeless households could increase significantly when extension to eviction notices are lifted. This would further increase pressure on local authority homeless services.

4. Conclusion and recommendations

- Local authorities' housing and homelessness services are facing a significant financial impact as a result of Covid-19. Without further financial support from Scottish Government there is a risk that homelessness will continue to rise. This will not just incur further financial costs through expensive temporary accommodation and support services, homelessness has a human cost. We fully support the Scottish Government's ambitions to end homelessness in Scotland but this can only be achieved if local authorities have adequate resources.
- Rent arrears levels should continue to be monitored closely with financial support through one-off Scottish Government grants considered for those authorities worst affected.
- The Scottish Government must ensure that sufficient long term funding is made available to achieve the transformation of homelessness services set out in RRTPs.

⁴ Affordable Housing Need in Scotland post 2021: <https://bit.ly/2QRuBkc>

⁵ Affordable Housing Supply Turnout 2018-2019: <https://bit.ly/32Y1yKz>