

SCOTTISH PARLIAMENT – LOCAL GOVERNMENT, HOUSING AND PLANNING COMMITTEE: HOUSING TO 2040

SUBMISSION FROM THE SCOTTISH FEDERATION OF HOUSING ASSOCIATIONS (SFHA)

FEBRUARY 2024

The Scottish Federation of Housing Associations represents over 94% of housing associations and co-operatives in Scotland. Nearly 300,000 homes are provided by SFHA members, employing over 13,000 people. SFHA has represented the sector for almost half a century.

SUMMARY

- Housing Associations and co-operatives are central to delivering the objectives of Housing to 2040 but find themselves in increasingly difficult positions. Our members are caught between the imperative to keep rents affordable and the need to invest in homes (existing and new) and communities.
- The proposed cut to the AHSP budget, increased costs, and tenant hardship are posing real challenges for the sector and threaten Scotland’s ability to achieve the goals set out in Housing to 2040.
- The aims set out in Housing to 2040 still offer great opportunities to make Scotland a fairer, a more sustainable, and a wealthier place to live and the benefits of achieving them would be significant.
- Scotland is at serious risk of failing to meet the aims set out in Housing to 2040 – and SFHA is unconvinced that the Housing to 2040 Strategic Board has been given the resources and capacity to achieve those aims.

ASSESSMENT OF THE CURRENT POSITION OF THE HOUSING SECTOR

Our members are entering an increasingly difficult position. They are operating in a context of economic 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) reports that although RSLs’ financial performance remains robust, they are dealing with less financial flexibility and are having to take decisions on where to prioritise spending.¹

The 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, ever more maintenance, community wellbeing programmes, and

¹ [Summary of Registered Social Landlord Financial Projections: 2023/24 - 2027/28 | Scottish Housing Regulator](#)

developing new homes. In many (if not all) cases, members are having to limit spending in some of these areas to keep rents affordable.

What has also become clear over the past four quarterly statistics for the Affordable Housing Supply Programme is a consistent decline in the number of approvals and starts, despite progress on the number of completions.² What we can expect to see in the medium term therefore is a significant drop-off in the number of completions, which will seriously exacerbate housing need and homelessness. This makes the possibility of the Scottish Government reaching their target of 110k affordable homes by 2032 look increasingly unlikely.

CHALLENGES FACING THE HOUSING SECTOR

The most immediate challenge for the affordable housing sector is the Scottish Government's successive cuts to the Housing Budget. Since the 2022-23 Scottish Budget, the More Homes budget has been cut from £740.1m to £375.8m, a 49% reduction. Given that housing associations leverage private financing of around the same level as public funding, the cut of £364.3m looks more like a potential loss to the sector of up to £728.6m. This is a clear and present challenge which will have medium and longer-term consequences throughout the housing system in Scotland, across all tenures. The Scottish Government's own budgetary constraints and limited borrowing powers are of course a challenge, and the UK Government's budget decisions will continue to be a debilitating factor for the sector unless borrowing or spending is increased. However, it is notable that the 26% reduction in the housing budget goes way beyond the UK Government's reduction of 10% in its capital budget. Our sector's ability to deliver 110k affordable homes by 2032 is essentially impossible under these conditions.

Another pressing challenge for the sector is the general increase in costs associated with developing new homes and maintaining current ones. High costs in areas such as fuel, construction, raw materials, labour and land are all having an impact. Perhaps the greatest challenge for RSLs in terms of costs is moving to zero/low carbon heating systems and improving energy efficiency levels. The Scottish Government's £1.8bn of capital funding for this Parliamentary term is dwarfed by the scale of the challenge; estimates from 2021 suggest that the total cost for the transition to net zero heating is likely to be in excess of £33bn.³ Additionally, supply chain issues and increasingly necessary but costly requirements such as Housing for Varying Needs are both pushing up costs for members. Due to higher interest rates, the cost of borrowing has also increased for members, alongside an increase in day-to-day costs in areas like insurance, energy and procuring services, such as cleaning. The Scottish Social Housing Tender Price Index (SSHTPI) has increased substantially over the past few years (see Annex 1). For example, for the quarter October – December 3Q 2022, the index was up 16.9% on the same quarter in the previous year.⁴ Whilst inflation is falling, costs remain significantly higher than previous

² [Housing statistics - gov.scot \(www.gov.scot\)](https://www.gov.scot/housing-statistics)

³ [Green Heat Finance Taskforce: report part 1 - November 2023 - gov.scot \(www.gov.scot\)](https://www.gov.scot/green-heat-finance-taskforce-report-part-1-november-2023)

⁴ [Scottish Social Housing Tender Price Index quarterly report - gov.scot \(www.gov.scot\)](https://www.gov.scot/scottish-social-housing-tender-price-index-quarterly-report)

years, which means this will be an ongoing challenge. There is also no guarantee that inflation will stabilise at previous levels, nor that interest rates will drop to the levels of the 2010's.

Many tenants are also facing deeply difficult financial positions. Our members are reporting a staggering level of need amongst their tenants, including those who have not needed financial support before.⁵ This is because tenants' incomes have not kept pace with the cost of living and in many cases are not sufficient to cover their outgoings. Our own recent [report](#) laid out in stark terms the way the cost-of-living crisis has cut right across many social tenants' lives. Again, there is no guarantee that tenants' financial positions will improve in the coming years without significant political intervention.

OPPORTUNITIES FOR THE HOUSING SECTOR

The opportunities for the social housing sector – and Scotland - are immense when it comes to affordable homes. Investment in affordable housing reduces levels of poverty; affordable rents act as a protective barrier.⁶ By delivering the number of social homes needed, Scotland can cut poverty levels and reduce the number of children growing up in poverty. On top of this, housing associations work to create thriving communities; a major opportunity for place-making in Scotland. The nation can also improve physical and mental health outcomes through investment in affordable, warm, and secure housing which suits the needs of individuals.⁷

Moving away from fossil fuels is crucial to tackle climate change, but there should also be financial benefits for tenants as energy efficient homes should be cheaper to heat and energy costs less volatile. If properly supported, the social housing sector can continue to play a pioneering role in the transition to net zero. The rewards of this would be collectively shared across society, so the risk for housing associations should also be shared through increased financial support.

Although housing associations are not-for-profit, they contribute towards a more prosperous and fairer economy. Investment in new social homes can lead to inclusive growth and increased tax receipts, whilst affordable rents mean tenants have more money to spend elsewhere.⁸ Housing associations themselves are also major employers; for roughly every 22 homes our members provide, they also sustain a skilled and well-paid position in the workforce.

WHAT DOES THIS MEAN FOR HOUSING TO 2040?

It is not an overstatement to say that this is a crucial time for affordable housing in Scotland and for delivering Housing to 2040. As the roadmap states, 'Homes have never been simply bricks and mortar – good housing and homes support our health, our wellbeing, our life chances and our job prospects.

⁵ <https://www.flipsnack.com/housingscotland/sfha-report-the-impact-of-the-cost-of-living-crisis/full-view.html>

⁶ [Tipping the scales: The social and economic harm of poverty in Scotland | IPPR](#)

⁷ [The Social Value of Social Housing HACT 2023 - Shelter Scotland](#)

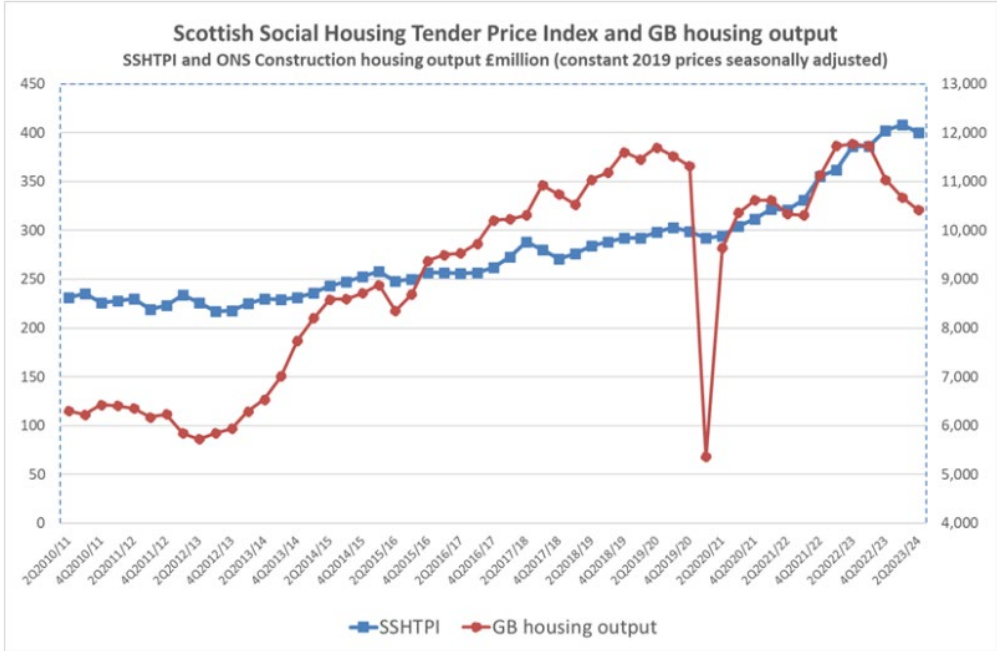
⁸ [Investment in social housing reduces poverty, improves health and drives economic growth - The Scottish Federation of Housing Associations Limited \(sfha.co.uk\)](#)

Everyone should have a home that brings them those chances and opportunities.’ That is our collective vision, our goal, with Housing to 2040 – and right now, we are at real risk of wholly undermining that.

Achieving each of the four overarching aims set out in Housing to 2040 (see Annex 2) will make Scotland an immeasurably better place to live. Housing associations and co-operatives are already leading the way – our members have the most energy efficient homes of any tenure, they score the highest on the Scottish Housing Quality Standard of any tenure, and rents are consistently at least half the level seen in the private rented sector – and they want to do more. But in order to do so, they need the right level of backing and crucially, investment, from Scottish Government. If this is not forthcoming, Scotland risks not just failing to move closer towards these aims but moving further away from them.

Annex 1. Scottish Social Housing Tender Price Index (SSHTPI). ⁹

(SSHTPI and ONS construction housing output £million (constant 2019 prices seasonally adjusted))



⁹ [Second quarter 2023/2024 index - Scottish Social Housing Tender Price Index quarterly report - gov.scot \(www.gov.scot\)](http://www.gov.scot)

Annex 2. Overarching aims of Housing to 2040.¹⁰

- **More homes at the heart of great places** - Our aim is for everyone to have a safe, high-quality home that is affordable and meets their needs in the place they want to be.
- **Affordability and choice** - Our aim is for everyone to have access to a home that is affordable and choices about where they live, no matter what tenure they live in.
- **Affordable warmth and zero emissions homes** - Our aim is for housing to contribute to tackling climate change by 2045 by delivering homes that are warm and affordable to heat and reducing the emissions caused by housing and housing construction.
- **Improving the quality of all homes** - Our aim is for all homes to be good quality, whether they are new build or existing, meaning everyone can expect the same high standards no matter what kind of home or tenure they live in.

¹⁰ [Housing to 2040 - gov.scot \(www.gov.scot\)](https://www.gov.scot)