

Key messages

# Housing in Scotland



ACCOUNTS COMMISSION



AUDITOR GENERAL

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## Key facts



Housing in Scotland is facing significant challenges. The recession has affected the availability of housing and the sector is now working with constraints on lending, competing and increasing demands on capital resources, and reduced government subsidies. Population changes and welfare reform will further increase pressure on the sector. The challenges will require effective leadership and a long-term, coordinated response.

### The supply of housing is not meeting current levels of need. Policy and population changes bring significant challenges

- Due to the recession, fewer new homes are being built in Scotland. The number of new private homes has more than halved in recent years while the population is increasing. Our analysis suggests that it could be more than 20 years before enough new homes are built to meet the projected increase in households in any one year.

- Scottish Government research in 2005 suggested 8,000 new council and Registered Social Landlord (RSL) homes were needed each year.<sup>1</sup> Our analysis, based on this research, suggests that just over 42,000 of the 56,000 council and RSLs homes needed since then were built, a shortfall of almost 14,000 homes.
- The ageing population and increasing numbers of single person households will create pressure for the housing sector. Reforms of the welfare system and environmental policies will further increase the pressure.

### Scottish Government housing budgets have fallen and funding for new homes has been particularly affected. There are significant and competing demands on capital budgets

- Between 2008/09 and 2011/12, Scottish Government revenue budgets for housing fell by 24 per cent in real terms, from £199 million to £152 million and capital budgets by 29 per cent, from £534 million to

<sup>1</sup> RSLs are not-for-profit social landlords, most commonly housing associations.

£378 million. Revenue and capital funding for new homes has been particularly affected, falling by 35 per cent in real terms, from £555 million in 2008/09 to £361 million in 2011/12.

- Funding arrangements for housing are complicated, change frequently and are hard to track. This makes effective scrutiny difficult.
- Constraints on lending, national targets and reduced government subsidies are adding to the pressure on council and RSL capital budgets.
- The Scottish Government is responding to pressures on finance by encouraging increased borrowing and alternative models of finance to maximise private investment in housing. These have associated risks that must be carefully managed. To date, the use of alternative models has been limited and the extent to which they can compensate for reduced levels of subsidy is not clear.

### **Effective leadership is required at a national and local level to ensure housing is well planned and linked to other policy areas**

- National and local government recognise that good housing can make a positive contribution to many government priorities, including economic growth, community empowerment and improved health. However, housing does not always play the role that it could.
- Scotland's council and RSL housing stock is a significant national asset. Funding arrangements for new builds could have long-term implications for council and RSL housing in terms of who builds houses, of what type and where. Tenants' rents may also be affected and there is scope for greater clarity on what is an affordable rent.
- Planning at a local level is challenging. Councils have a key role but few powers to influence a range of public and private partners.
- Between 2010/11 and 2011/12, the number of households assessed by councils as homeless fell by 17 per cent to just over 34,000. This is likely to be due to councils doing more to prevent homelessness. Legislation has given homeless people the right to a settled home but more people are spending longer in temporary accommodation.

## **Recommendations**

### **The Scottish Government should:**

- demonstrate how its long-term vision for housing underpins relevant national policies and informs local planning and practice
- improve its reporting of housing budgets, spend and what the money has delivered to ensure that it is easy to track, takes account of in-year revisions, and provides details on amended spend as and when it occurs
- clarify its expectations of the role alternative models of finance will play in the future financing of council and RSL housing. Provide leadership and support to councils and RSLs in understanding how best these sources of finance can be used and how the risks involved can most effectively be managed
- improve the detail and reliability of national information on housing, including an assessment of the needs of current and future populations. This should assess need for council and RSL homes and for affordable homes
- review the financial pressure on the sector, including its ability to meet the national targets and quality standards, and councils' and RSLs' capacity to develop alternative models of finance, and assess the implications for funding for new homes.

### **Councils should:**

- ensure housing strategies and the associated plans and investment decisions are clearly based on evidence of local housing needs and are developed in conjunction with all relevant partners including RSLs and tenants
- review the way housing services are designed and delivered in light of the recent reductions in the number of people assessed as homeless and councils' duties to homeless people
- review the differences in performance and long-term financial position of their housing stock and develop strategies, including rent strategies, to address future liabilities and maintain the value of the assets.

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