Is Anyone Home?

Modelling Scotland's Affordable Social Rented Housing to 2012 and Beyond

A report by the Chartered Institute of Housing in Scotland and the Scottish Council for Single Homeless

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Scottish Council for Single Homeless

Scottish Council for Single Homeless (SCSH) is the national membership body for organisations and individuals working to tackle homelessness in Scotland.

As well as providing information and training, we seeks to influence both policy makers (at national and local level) and service providers by :

- Offering support to those implementing homelessness services and other services relevant to homeless people.
- Providing an information source for policy makers and other interest groups
- Acting as a vehicle to ensure the experience of front line services providers and service users is conveyed to policy makers and to allow service providers to share experience with each other

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THE CHARTERED INSTITUTE OF HOUSING IN SCOTLAND

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1. Introduction

1.1 There has been much discussion in Scotland recently about shortages of affordable housing. To date the debate has focused on the current situation. The Scottish Council for Single Homeless (SCSH) in its report *Mind The Gap- Plugging Scotland's Social Housing Need* identified the need for 12,000 new affordable rented homes per year. The Chartered Institute of Housing (CIH) in its submission to the Scottish Executive Comprehensive Spending Review concluded that an additional £331m per year is needed from the Scottish Executive to help meet current need and demand for new affordable rented housing.

1.2 In the CIH submission there is also a warning that housing policy in Scotland must look beyond the short-term needs and consider how current investment will impact on future delivery of the Scottish Executive's housing policy priorities. This report produced by both the CIH and SCSH aims to facilitate that debate by looking at what Scotland's affordable social rented housing will look like in 2012 and beyond.

1.3 It forecasts the position in Scotland's housing following the implementation of two key pillars of the Scottish Executive's social housing policy. In doing so it looks at what will happen to the total amount of social rented housing available and who will be most likely to be able to rent an affordable social rented home in the future.

2. Scottish Executive Housing Policy Developments for 2012

2.1 The Scottish Executive has committed itself to two major housing policy developments in 2012:

- Every unintentionally homeless household will be eligible for permanent accommodation. Intentionally homeless households will be eligible for a short Scottish Secure Tenancy with support. This is being introduced through the Homelessness etc. (Scotland) Act 2003,
- Many tenants of housing associations, who did not previously have the right to buy their homes, will become eligible to do so. This extension of the Right to Buy is being introduced through the Housing (Scotland) Act 2001[1].

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[1] RSL tenants who will have the Right to Buy from 2012 include:

- Tenants of HAs which became charitable after 18/7/01
- Tenants of non-charitable housing associations.

2.2 The CIH and SCSH are concerned about how these two key pillars of Scottish Executive policy will impact on the future supply of affordable rented housing in Scotland. This report looks at what the picture may be in the years following their introduction in 2012.

2.3 Current investment in affordable housing is not meeting need so what will happen when all homeless people are entitled to permanent accommodation and housing association houses are sold from the affordable rented housing stock?

3. Outputs

3.1 The report produces two scenarios:

1. **Business as Usual** - Scottish Executive investment levels remain constant in real terms. There is no increase in current Scottish Executive plans to fund the building of affordable rented housing. An output of 5,000 units of new affordable rented homes per year is achieved.

2. **Increased Investment –** Assumes that the Scottish Executive raises investment to fund an additional 7,000 affordable rented homes per year from 2006/7 onwards – taking the total number of new affordable rented homes built per annum to 12,000 units. This is the current housing need figure identified in the SCSH research '*Mind The Gap-Plugging Scotland's Social Housing Need*.'

4. Key Indicators Used

4.1 In producing the two scenarios above and forecasting their likely impact a number of assumptions must be used. It must be stressed that assumptions have been made in order to produce conservative estimates; demand for social rented housing has been under-estimated whereas supply has been over-estimated. It is likely that the real picture may be worse than that concluded in this report. Conservative assumptions have been used to avoid criticism of scaremongering in what is a difficult area to forecast.

4.2 In both scenarios the following assumptions have been made.

Homelessness

4.3 The number of homeless households accepted as homeless remains constant at the 2002/03 level. This is 37,035[2]. This is a conservative figure because homelessness in Scotland has been

[2] Scottish Executive (2004), Operation of the Homeless Persons Legislation in Scotland National and Local Authority Analyses 2002-03' Statistical Bulletin HSG/2003/5

rising since 1996/97 with a 12% increase in homelessness presentations between 1999/00 and 2002/03. The implementation of Local Authority Homelessness Strategies, with their focus on prevention, should impact on the number of presentations hopefully leading to some degree of levelling off.

4.4 61% of households that are homeless and accepted as being in priory need are rehoused. This figure is taken from past Scottish Executive data[3]. It must be noted that not all households in priority need are rehoused. This is in part due to the poor quality of some of the available affordable rented housing stock, leading to some households rejecting offers of accommodation. The introduction of the Scottish Housing Quality Standard, whereby all social rented housing must meet an agreed standard by 2015, is likely to impact on the number of homeless households accepting offers of accommodation. Therefore as time goes on the 61% figure used in developing the forecasts may be seen as conservative. In future, more homeless households may accept offers of accommodation and this is likely to rise putting further pressure on available housing.

Trend in Affordable Rented Housing

4.5 It is assumed that until 2012 the social housing stock continues to decline at a rate of 2.34% per year. This is in line with the current trend where Scotland has seen a net loss of over 200,000 social rented homes from the rental pool in the last ten years.

4.6 In 2001/02, before any stock transfers had been completed in Scotland, around 1,500 RSL households were sold per annum under the Right to Buy[4]. This represented a loss of around 1% of the RSL stock per annum at that time. A study for the Scottish Executive in 2000 suggested that between 2.0% - 2.6% of housing association homes would be sold per year under the new right to buy[5]. This research was published when right to buy sales in Scotland were fairly static and before a dramatic rise in right to buy applications in 2002.

4.7 Using 2001/2 RSL stock levels (around 150,000 units) and the lower estimate of 2.00% loss of stock per annum under the Right to Buy, it is assumed in the model that a total of 3,000 RSL properties are lost through the right to buy from 2012 onwards. This represents an additional 1,500 units per year compared with Right to Buy sales in 2001/02.

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[3] Scottish Executive, (Various dates), Statistical Bulletins on Housing, Homelessness and Households

[4] Housing Series Statistical Bulletin HSG/2003/4Housing Trends in Scotland: Quarter Ending 31 March 2003. Table 12.

[5] Maclennan, D., O'Sullivan, T. and Macintyre, C. (2000) Evolving the Right to Buy: Evidence for Scotland, Edinburgh: Scottish Executive.

4.8 The additional loss of 1,500 units of RSL stock per year, from the modernised Right to Buy, is likely to be a conservative estimate because:

- it is based on the lower of the Scottish Executive's estimates.
- it is based on an RSL stock level of 150,000 units. Discounting RSLs created as a result of stock transfers, it is likely that the RSL stock level will be significantly higher than this figure in 2012.

New Social Rented Lettings

4.9 The report assumes that 10.6% of the social stock is re-let each year. This is in line with Scottish Executive published data on lettings. In absolute numbers this means that as stock decreases the total number of lettings that can be made per year also reduces. This will have an impact on houses on the waiting list, the transfer list and homeless households. The forecasts assess what this impact may be.

Local Variations

4.10 The forecasts produced are based on an analysis of national data sources. Therefore, the situation experienced by each local authority may differ from the results in this report. In particular, it is likely that some local authorities may have greater difficulty than others in fulfilling their statutory duties, with a diminishing supply of social rented housing.

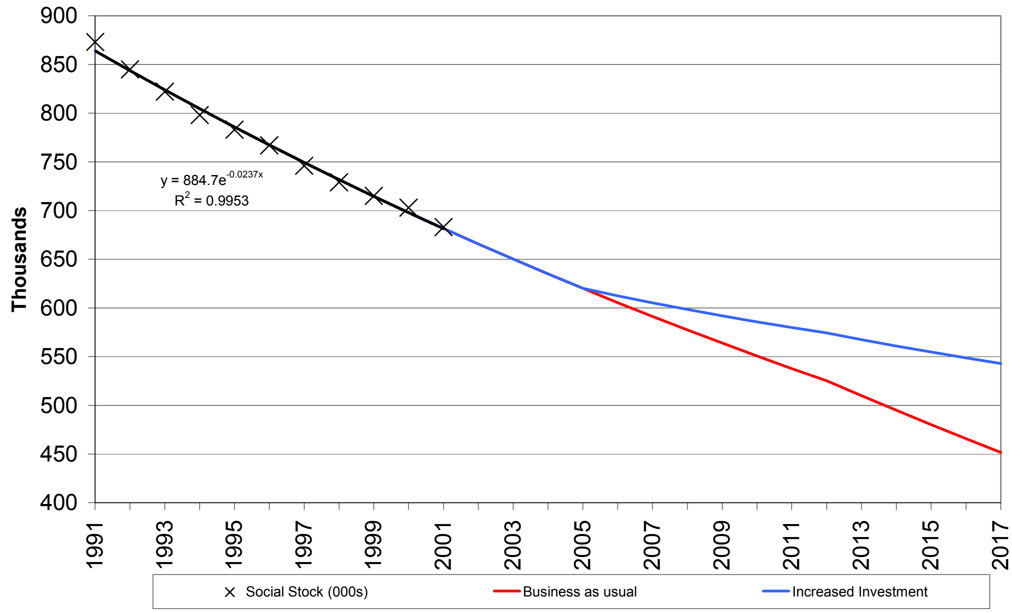
4.11 A table has been included at Annex A to show the number of households assessed as homeless and having a priority need, and also the number of social lets available in each local authority area for 2002/3. During 2002/3, in 16 local authorities, over 1 in 3 local authority and RSL lets would need to go to priority homeless households if all offers of accommodation were accepted. If every homeless household in priority need were to accept an offer of accommodation, in six local authority areas over half of all lets would have needed to go to homeless households in 2002/3.

5. Findings

Affordable Rented Housing Supply

5.1 Figure 1 illustrates the continuing decline of social rented housing supply up to and beyond 2012. In scenario 1 – '**Business as Usual'** the total social rented housing stock is expected to fall from over 675,000 in 2001 to 525,000 in December 2012. This means the social rented housing stock will have reduced by over 20%. Therefore there will be approximately 150,000 less houses available for affordable rent by 2012.

Figure 1 – Affordable Rented Housing Supply



5.2 The '**Increased Investment' scenario** would apply if the Scottish Executive heeds the current warnings from the sector and uses the Comprehensive Spending Review 2004 to increase investment in the provision of new affordable housing. This enables a total of 12,000 affordable rented homes to be built per year, significantly more than the current output of 5000 units per year in the 'Business as Usual' scenario. However, even with this higher investment level the Scottish Executive will preside over a decrease in the level of affordable social rented housing in Scotland. By 2012 the 'Increased Investment' forecast suggests that the housing supply will have fallen to about 575,000. This means that if the Scottish Executive inputs more investment now – to deliver an additional 7,000 homes for social rent per annum from 2006/7 onwards - it will ensure the housing stock has up to 50,000 more affordable social rented homes in 2012 than under the 'Business as Usual' scenario[6]. Despite the greater investment assumed in the 'Increased Investment' scenario, there will still be about 110,000 fewer homes by 2012 than there were in 2001.

5.3 However, as time goes on beyond 2012 the benefits of greater investment become more obvious. By December 2017 without increased investment the level of affordable social rented housing will fall to about 460,000 a total decline of 32% from 2001. Under the 'Increased Investment' scenario the decline would be substantially less to around 540,000 houses in December 2017, giving a 20% reduction in stock since December 2001. This means

[6] Our estimate of the social housing stock in the 'Increased Investment Scenario' is an over-estimate here as some of the 7,000 extra units built per year may be sold under the right to buy.

that there would be up to 80,000 more homes to rent than under 'Business as Usual'.

5.4 The reduction in the stock of social rented housing is largely as a result of the right to buy, some other types of house sales and the demolition of obsolete housing. The level of new build has not replaced these losses to the stock. Between 1992 and 2003 for every 1 new house built, 4 have been lost from the stock.

Access to Affordable Social Rented Housing

5.5 What will the changing volume of the housing stock mean to people seeking to live in the social rented sector? The Homelessness etc. (Scotland) Act 2003 will gradually phase out the priority need test from 2006 onwards, with it being abolished by 31 December 2012. This will mean that, at current levels of homelessness, about an additional 10,000 homeless households will be eligible for permanent accommodation in the affordable social rented sector by 2012. This gives a grand total of just over 37,000 homeless households eligible for permanent accommodation.

5.6 In addition to homeless households, house waiting list applicants are also seeking to be accommodated in affordable social rented housing. The most recently available figures show that in 2002/03 23% of affordable social rented housing lets went to homeless households and 77% to households on the housing list[7]. There is a duty on local authorities to give reasonable preference to homeless people in the allocation of houses[8]. The Housing (Scotland) Act 2001 also ensures that Registered Social Landlords (housing associations) must assist local authorities in discharging their duty to provide permanent affordable social rented accommodation for homeless households.

5.7 Modelling the percentage of lets going to homeless households against the future changes to the housing stock reveals some concerning forecasts.

5.8 Assuming that 61% of homeless households eligible to be allocated an affordable rented house accept a house then, if the 'Business as Usual' scenario prevails, there will be a dramatic rise in the proportion of lets going to homeless households reaching 41% by 2012/13 when priority need will be abolished. If the Scottish Executive increases investment in the provision of new affordable social rented housing then the proportion of lets does rise but to only 33%.

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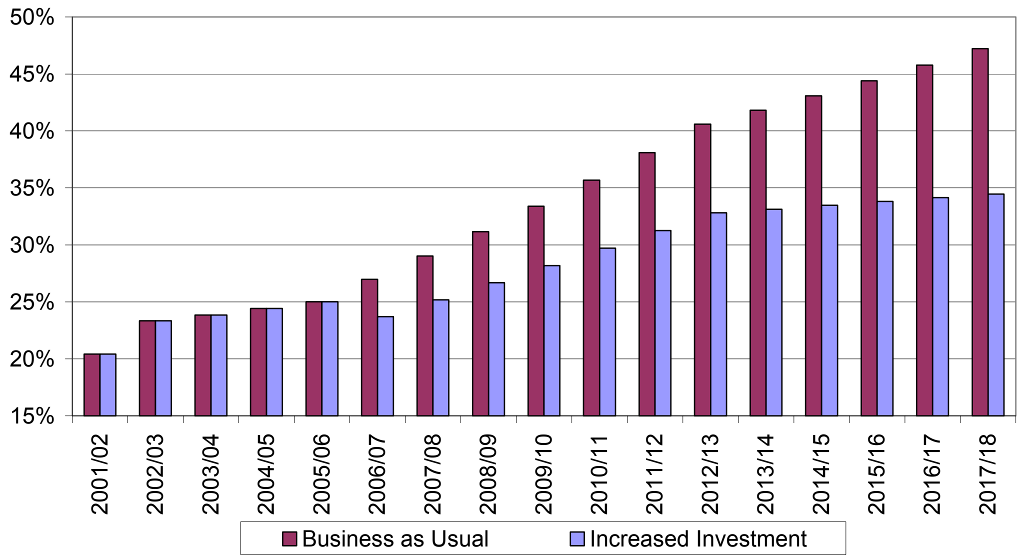
[7] Scottish Executive, (2004), Housing Trends in Scotland: Quarter ending 30 September 2003, Statistical Bulletin HSG/2004/2 and
Score, Annual Digest 2002-03

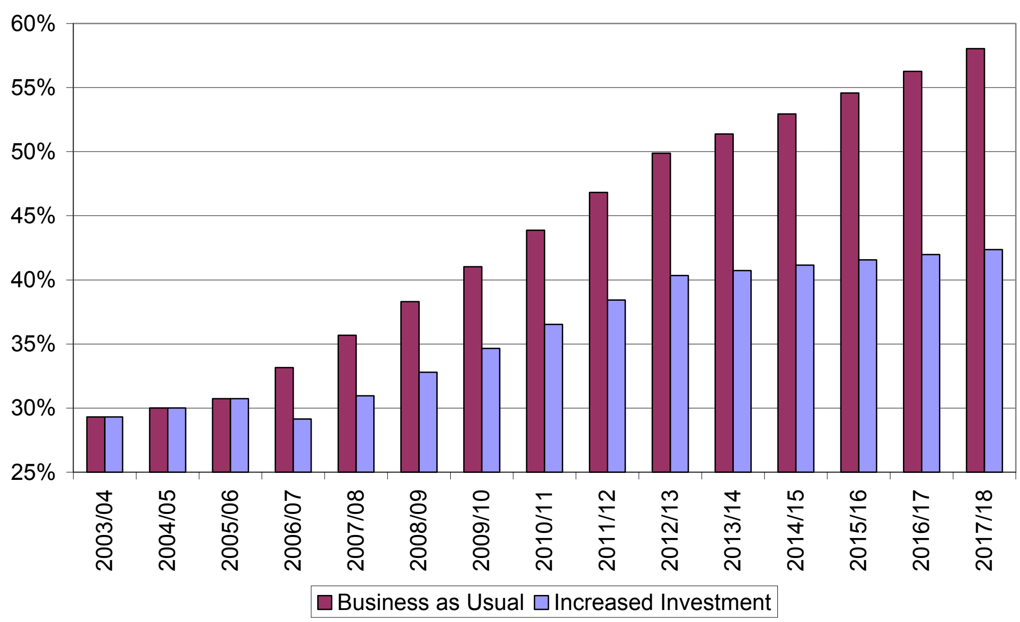
[8] Section 20, Housing (Scotland) Act 1987

Figure 2 – Affordable Social Housing Allocations to Homeless Households at 61%



5.9 However the proportion of homeless households eligible to be allocated an affordable rented house, and accepting an offer, may increase. For example this may be due to house conditions improving, allocation policies enabling better access to social rented housing or section 5 referrals to RSLs further developing. For example we could see 75% of those homeless households eligible to be allocated an affordable rented house accepting an offer. If this is the case we may see a dramatic rise in the proportion of lets that will go to homeless households (Figure 3).

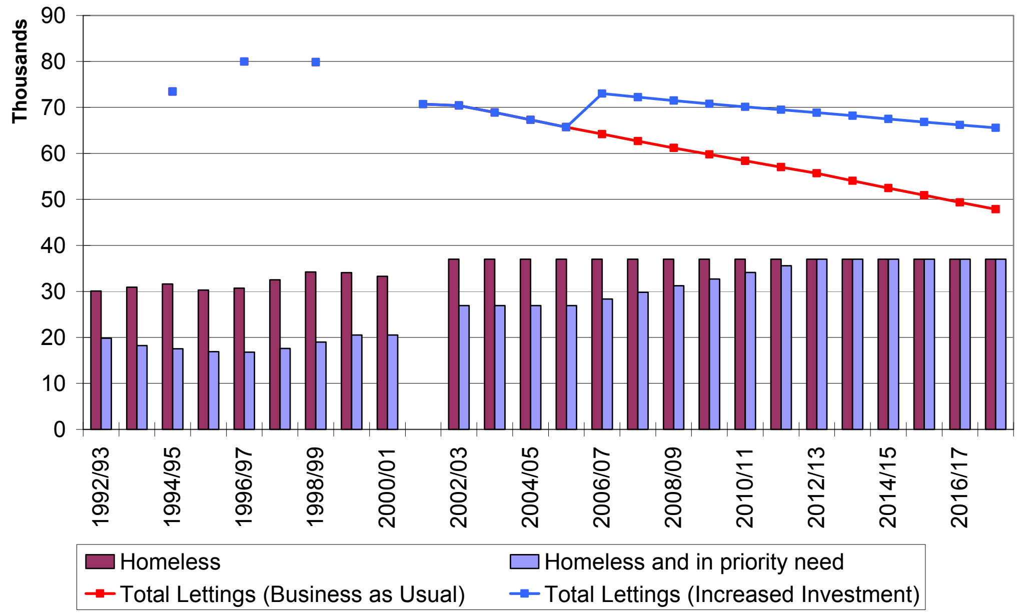
Figure 3 - Affordable Social Housing Allocations to Homeless Households at 75%



5.10 In the 'Business as Usual' scenario by 2012/13 50% of lets will go to homeless households. Figure 3 shows that this is more than a doubling of the number of allocations made from the position ten years previously. However, under the 'Increased Investment' scenario we see 40% of lets going to homeless households by 2012 and this begins to level out at 42% by 2017. In sharp contrast the 'Business as Usual' scenario figures continue to rise pushing toward 60% of all lets going to homeless households by 2017.

5.11 To bring this into focus Figure 4 plots the declining total number of lets against the absolute number of homeless people who will eligible for housing. It must be noted that this a conservative picture as it assumes that the levels of homelessness have not increased since 2002/03, and the RSL sector only loses 2% of its stock per annum through the right to buy.

Figure 4 – Total lets and Total Homeless Households



5.12 Figure 4 graphically illustrates the falling away of total lets if the Scottish Executive continues a 'business as usual' policy. It will not be long before the total number of homeless households is the same as the total number of housing lets made. This will put local authorities and housing associations in a difficult position trying to balance their duties toward homeless households against other households expressing a housing need.

5.13 However, if the Scottish Executive were to increase the total investment going toward the building of new affordable social rented housing a different picture emerges. The introduction of additional new houses acts to initially boost the number of lettings that can be made. Although the number of lettings does decline over time, it does not decline as sharply as it will if the Scottish Executive takes no action.

5.14 Without investment the number of lets per year will fall from over 70,000 in 2002/3 to about 56,000 in 2012/3 and just under 48,000 by 2017. Increased investment will result in the number of lettings in 2012/13 being just under 70,000, almost the same as in 2002/03. By 2017/18 annual house lets will be about 68,000 - a slight decline. This happens because each new house built automatically becomes available for letting and over time those not lost through the right to buy contribute to re-lets.

6. Conclusions

6.1 This report shows that investment is required now if Scottish social rented housing is not to face long term problems. If further investment is not forthcoming through the Scottish Executive's Comprehensive Spending Review then the social rented housing stock will have reduced by a third by 2017/18 under the – 'Business as Usual' scenario. 2017/18 is five years after the introduction of the right to buy for tenants of non-charitable housing associations and five years after the full implementation of the Homelessness etc. (Scotland) Act 2003 giving all non-intentionally homeless households the right to permanent affordable social rented housing.

6.2 The declining level of stock combined with more homeless households being eligible for permanent accommodation means that the number of annual house lettings will fall whilst the number of lets being made to homeless households will rise. By 2017/18 the number of lets to homeless households may be as high as 58%. In 2002/03 the figure was 23%.

6.3 This will have potentially serious consequences for delivering Scottish Executive policies and meeting housing need. The Scottish Executive is keen to reduce the number of homeless households in temporary accommodation and to also reduce the length of time they have to wait in temporary accommodation for a permanent social rented house to become available. A decline in the number of lets accompanied by a decline in the absolute number of social houses is liable to result in an increased use of temporary accommodation and homeless households having to wait longer for permanent accommodation to become available.

6.4 Therefore investment in new affordable social rented housing is required now, not only to meet current need but also to ensure Scottish Executive housing policies can be delivered in the future.

6.5 Ensuring that around 12,000 new affordable social rented homes are built per year, costing an estimated £586m per year, will make a significant contribution to achieving Scottish Executive housing policy. The absolute number of affordable social rented houses will still be in decline as a result of stock being lost, largely through the right to buy. However, the increased building programme would ensure that the number of lets that become available per year actually remains fairly constant, only reducing by about 2,000 to 68,000 in 2017/18. This means that the proportion of total lets that will go to homeless households could be up to 42%, significantly less than if no additional investment from the Scottish Executive is forthcoming. It is therefore more likely that homeless households will be accommodated more quickly in permanent affordable social rented housing, reducing both the use of and time spent in temporary accommodation. It will also mean that local authorities and housing associations will continue to be able to meet the housing needs of others on their waiting lists. A position that might be difficult to achieve without additional investment.

6.6 The report therefore concludes that in order to achieve its future housing policy objectives the Scottish Executive must act now. It should use the Comprehensive Spending Review 2004 to inject an additional £331m per year into the building of affordable social rented housing to ensure an annual output of around 12,000 homes. Failure to invest may result in a difficulty to deliver the aims of the Homelessness etc. (Scotland) Act 2003 in terms of ensuring that all non-intentionally homeless households get permanent affordable rented housing and do not have to spend longer in temporary accommodation. Failure to invest will also impact on meeting the housing need of others on local authority and housing association waiting lists.

Annex A

Households Assessed as Priority Need, expressed as a percentage of all social lets. Figures relate to 2003/04, before any local authorities had transferred their housing stock. The transfer of stock is unlikely to alter the total number of lets available in each local authority.

	Priority homeless	LA Lets	RSL Lets	Total Lets	Priority Need as a Proportion of All Lets
		Number	Number	Number	Percentage
Scotland	**24,924**	**49349**	**17976**	**67325**	**37%**
Glasgow City	7,729	6780	3836	10616	73%
West Lothian	986	940	636	1576	63%
Moray	477	599	168	767	62%
East Lothian	359	443	181	624	58%
Orkney	48	85		85	56%
Edinburgh, City of	3,010	4031	1728	5759	52%
Midlothian	289	310	299	609	47%
North Ayrshire	923	1543	452	1995	46%
Stirling	294	474	180	654	45%
Perth & Kinross	548	883	351	1234	44%
East Dunbartonshire	194	413	54	467	42%
Argyll & Bute	324	592	318	910	36%
Dumfries & Galloway	567	1205	373	1578	36%
Eilean Siar	78	219		219	36%
Clackmannanshire	251	584	183	767	33%
Highland	640	1540	379	1919	33%
Angus	454	1079	357	1436	32%
South Ayrshire	285	865	66	931	31%
South Lanarkshire	1,027	2819	468	3287	31%
West Dunbartonshire	615	1396	659	2055	30%
East Renfrewshire	114	301	93	394	29%
Fife	1,312	3627	1148	4775	27%
Shetland	65	237		237	27%
Aberdeenshire	462	1439	392	1831	25%
Inverclyde	306	1034	389	1423	22%
North Lanarkshire	1,223	4549	1026	5575	22%
Renfrewshire	492	1655	861	2516	20%
East Ayrshire	394	1786	402	2188	18%
Scottish Borders, The	265	963	640	1603	17%
Aberdeen City	513	2675	524	3199	16%
Falkirk	317	1723	479	2202	14%
Dundee City	363	2560	1183	3743	10%

Source: Scottish Executive Statistical Bulletin HSG/2003/5 Table 11
Score Dataset 2003/4