

## THE HIGHLAND COUNCIL

Finance, Housing and Resources Committee 28 August 2013

Agenda Item No.	13
Report No.	FHR/98/13

### Audit Scotland Report: Housing in Scotland

#### Report by the Deputy Chief Executive / Director of Housing and Property

#### Summary

This report provides a summary of an Audit Scotland report titled "Housing in Scotland" which was published on 11 July 2013. The Audit Scotland report provides an overview of how the housing system in Scotland operates and assesses how the Scottish Government and Councils are responding to meet Scotland's housing needs. There are a number of recommendations aimed separately at Scottish Government and Councils. This report provides a commentary and self-assessment on the Highland Council's position in relation to Audit Scotland's recommendations.

## 1 Background

- 1.1 Audit Scotland published a report titled "Housing in Scotland" on 11 July 2013. This followed a study examining Scotland's housing sector with a focus on the role and performance of the public sector.
- 1.2 The report highlights that Scotland's council and housing association housing stock is a significant national asset the value of which must be protected by managing, maintaining and investing in it properly. Audit Scotland points out that current practices have long-term financial consequences and there are indications that, over the long term, rental income will not be enough to manage and maintain council housing stock in its current condition.
- 1.3 Audit Scotland has also published a range of accompanying documents and supporting material, including an issues paper for elected members and a self-assessment checklist. The full report and accompanying documents can be viewed at: [Housing in Scotland](#).
- 1.4 A completed self-assessment is attached as **Appendix 1**. This contains details and commentary on all the issues highlighted for elected members to consider.

## 2 Key messages of the Report

- 2.1 Housing in Scotland is facing significant challenges, including meeting ambitious targets for new housing supply during a period of demographic change, as well as responding to policy issues such as welfare reform and environmental policies.
- 2.2 Assessing housing need and demand is difficult as information is limited on some aspects of current housing supply and need, and there are no consistent definitions for key terms, such as "affordable housing".
- 2.3 Supply of housing is not meeting current levels of need. This is exacerbated by an

increase in demand due to the impact of the recession occurring at the same time as increased pressure on public spending.

- 2.4 Capital funding is under significant pressure. There was a reduction in Scottish Government funding for housing between 2008/09 and 2011/12. In addition current funding arrangements for housing are complicated, change frequently and are hard to track, making effective scrutiny difficult.
- 2.5 Constraints on lending, national targets and reduced government subsidies are adding to pressures on council and housing association capital budgets. The Scottish Government is responding by encouraging increased borrowing and the use of 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 of finance has been limited and the extent to which they can compensate for reduced levels of subsidy is not clear.
- 2.6 Effective leadership is required at a national and local level to ensure housing is well planned and linked to other policy areas and that it contributes to economic growth, community empowerment and improved health.
- 2.7 National targets and funding arrangements for new build housing could have long-term implications for councils and housing associations and tenant.
- 2.8 It is important that local planning arrangements are robust. Planning at a local level is challenging as councils have a key role but few powers to influence a range of public and private partners.

### **3 Recommendations of the Report**

- 3.1 Audit Scotland make a number of recommendations for Scottish Government and Councils:
- 3.2 It is recommended that 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 the need for council and RSL homes and for affordable homes.
  - Review the financial pressure on the sector, including its ability to meet national targets and quality standards, capacity to develop alternative models of finance, and assess the implications for funding for new homes.

3.3 It is recommended that Councils should:

- Ensure housing strategies and associated plans and investment decisions are clearly based on evidence of local housing needs and are developed in conjunction with all relevant partners including housing associations and tenants.
- Review the way housing services are designed and delivered in light of recent reductions in the number of people assessed as homeless and changes to 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.

## 4 Issues for the Council

4.1 In general the Council is either achieving or has plans in place to achieve the requirements set out in the report. **Appendix 1** contains a self-assessment against the list of issues identified within the report.

- We have good information on the Housing Revenue Account and a solid rent strategy, but we could improve our public reporting of costs and provide better long term projections for both HRA capital and revenue.
- The Council has strong arrangements in place for housing strategy and planning, and is undertaking further work to improve links to community planning. We have plans in place to improve arrangements for tenant involvement in service planning.
- We have plans in place to refresh and update our information on private sector housing conditions and our Scheme of Assistance.

## 5. Implications

### 5.1 Financial

5.1.1 There are short term resource implications in relation to the self-assessment actions, which will be managed within existing revenue budgets.

### 5.2 Risk

5.2.1 In relation to paragraph 3.3 above, we have good arrangements in place to review Housing Revenue Account income and expenditure and assess the long term financial position of the HRA.

### 5.3 Other Implications

5.3.1 There are no Equalities, Legal or Climate Change/Carbon Clever implications arising from this report.

## **6. Recommendations**

6.1 Committee is asked to:

- Consider the report and recommendations from the Audit Scotland Report.
- Agree the self-assessment contained in **Appendix 1**
- Refer the report and self-assessment for consideration by the Audit and Scrutiny Committee on 25 September 2013.

Designation: **Depute Chief Executive / Director of Housing and Property**

Date: 19 August 2013

Author/Ref: David Goldie, Head of Housing

# Self-assessment checklist for council officers to assess council performance in relation to housing

The assessment categories are:

No – Action Required

No – Action in Hand

Yes – In place but needs improving

Yes – In place and working well

Not applicable

The last column in the checklist can be used to record sources of evidence, supplementary comments to support your assessment or to highlight areas of interest.

	Issue	Assessment of current position:	Comments
<b>1.</b>	<b>Planning arrangements</b>		
1.1	We ensure that housing strategies and the associated plans and investment decisions are clearly based on evidence of local housing needs	In place and working well	The Council has a good quality Local Housing Strategy, supported by a Housing Need and Demand Assessment which was assessed by the Centre for Housing Market Research as “robust and credible “.
1.2	We develop our housing strategies and the associated plans and investment decisions in conjunction with all relevant partners including RSLs and tenants	In place but needs improving	The Council has good joint working arrangements with partners. We have arrangements in place to communicate and consult with tenants on major decisions which affect them. We would like to increase the degree of tenant involvement in service scrutiny and improve out arrangements for tenant involvement, and are currently reviewing our tenant participation strategy.

	<b>Issue</b>	<b>Assessment of current position:</b>	<b>Comments</b>
1.3	The Community Planning Partnership's role in housing is clear	In place but needs improving	The Highland CPP structure is under review and will be concluded by March 2014. This will involve formalising the joint working arrangements with housing partners. In the new SOA housing contributes in three key areas: to support economic growth and recovery; to reduce health inequalities by preventing and responding well to homelessness and reducing fuel poverty; and in supporting an asset based approach to community learning and development in areas of multiple deprivation (all of which are areas with high concentrations of social rented housing). New partnership working arrangements and full delivery plans will be concluded for these three key areas no later than March 2014.
<b>2.</b>	<b>Financial reporting</b>		
2.1	We have reviewed our recording of spend through the Housing Revenue Account and the general fund for housing, and improved its transparency to tenants	In place but needs improving	We have good information on HRA costs, but could improve the level of reporting to ensure transparency to tenants.
2.2	We have reviewed our recording of spend through the Housing Revenue Account and the general fund for housing to ensure it provides a clear picture of our spending on homelessness services	In place and working well	The Council can clearly distinguish between HRA and general fund spend on homelessness.
2.3	We have a clear understanding of the condition of private sector housing in our area and of the investment required in the future	In place but needs improving	We have information on private housing through the Scottish House Conditions Survey. This tells us that poor housing conditions and poor energy efficiency are more prevalent in the private sector.

	<b>Issue</b>	<b>Assessment of current position:</b>	<b>Comments</b>
			<p>The Repairs element of Highland Council's Scheme of Assistance was launched in 2010. The steering group established to develop the policies supporting the Scheme undertook a Highland-wide survey of private stock condition during 2009.</p> <p>This has allowed the Scheme to be both reactive and pro-active; responding to requests for grant on the one hand, and ensuring owners of target properties were aware of available support on the other. This has worked well, and has led to additions to the scope of the Scheme (eg window grants to tackle energy efficiency problems).</p> <p>We have plans in place to review the Scheme and a refresh of the information we have.</p>
<b>3.</b>	<b>Housing services</b>		
<b>3.1</b>	<p><b>Homelessness:</b></p> <p>We have reviewed the way housing services are designed and delivered in light of any recent reductions in the number of people assessed as homeless</p>	In place and working well	<p>A reduction in homeless presentations is only one factor to consider in relation to service delivery. A reduction in homeless presentations does not necessarily mean a reduction in casework. In fact there is evidence to suggest that caseloads associated with prevention are actually greater than those associated with a "traditional" approach to managing homeless applications. The Council has a good approach to service planning and reviewing the way services are designed, delivered and funded, and this is an ongoing process.</p>
<b>3.2</b>	<p><b>Management of housing stock:</b></p> <p>We have reviewed the performance and</p>	In place but needs improving	<p>We report annually on HRA revenue estimates and on the Standard Delivery Plan for HRA capital Investment. Achieving the Scottish Housing Quality Standard and</p>

	<b>Issue</b>	Assessment of current position:	Comments
	the long-term financial position of our housing stock		council house building targets is subject to detailed reports to Members including consideration of the financial implications. We could improve our reporting of longer term HRA revenue projections and HRA capital plan.
<b>3.3</b>	<p><b>Management of housing stock:</b></p> <p>We have developed strategies, including rent strategies, to address any future long-term liabilities and maintain the value of the stock</p>	In place and working well	We review and update HRA projections and undertake sensitivity analysis based on different scenarios including variations in interest rates, inflation and stock levels. We have a clear approach to rent strategy, based on minimising rent increases to tenants through efficiencies.