

SFHA response to the Scottish Government's Housing to 2040: Consultation on outline policy options

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Scottish Federation of
Housing Associations

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Housing to 2040 consultation response

As the national body for housing associations and co-operatives in Scotland with 140 of the 154 housing associations in the country as our members, a total of 92% of the sector covering some 285,000 homes, SFHA welcomes the Scottish Government's proposals for a longer-term plan for our housing system.

We want to work with the Scottish Government and our members to achieve a well-functioning housing system for the people of Scotland.

Housing associations and co-operatives play a vital role in helping the Scottish Government to address a number of priorities through the provision of a range of high quality, affordable and accessible housing as well as broader social purpose activities.

Around 66% of the homes being developed under the current programme to deliver 50,000 affordable homes by 2021, are being built by housing associations. When government support is available, our sector has proven it can step up and deliver.

However, the success of the current programme, as well as the next housing programme, depends on certainty for the period immediately beyond March 2021.

Key challenges face the housing sector at this stage in the delivery of the current housing programme and alongside other housing organisations SFHA has continued to ask the Scottish Government to ensure the continued supply of affordable housing necessary to meet Scotland's needs. This can be achieved by confirming the current investment in the supply programme will continue post-2021 and a commitment to alignment of investment in increasing affordable housing supply with the longer-term vision of housing to 2040.

The recent announcement of £300million to deliver affordable homes in 2021/22 is certainly welcome, but it constitutes a significant reduction in funding and leaves housing associations unable to plan for the future with certainty.

While the current programme to build 50,000 affordable homes by 2021 is on track, Scotland is far from securing the supply of housing it needs. With 167,000 people on waiting lists for social housing across Scotland, 500,000 homes lost through Right to Buy, and rents in the private rented sector £100 more per week on average than in social housing, developing more affordable homes must be a priority.

It is expected the current Affordable Housing Supply Programme will bring in around £97million in rents and £37million in council tax revenue each year. This is in addition to the 12,000 jobs and £1.4billion contribution it will make to the Scottish economy. With outcomes as positive as this, we can't stop now.

However, it's also important to note that the great majority of the housing the people of Scotland will be living in over the period to 2040 has already been built. This existing stock needs not just ongoing maintenance, but also provision for larger scale remodelling and reprovisioning. Older tenements – and tenements in mixed ownership – are two examples; however, there are many others such as rural housing, non-traditional construction and specialist housing for older people, which no longer meet current standards and aspirations.

A summary of a number of our proposals is as follows:

The housing system

- We require a positive reframing of the housing system through the lens of social justice. One that puts social housing on equal terms with all other housing options. Social housing is not, so should not be viewed as, housing of last resort. The Scottish Government should work with a number of housing partners to help end the stigma of social housing

Affordability

- Maintain public investment at current levels with increases in line with CPI
- Explore revenue grants to help towards costs of meeting interest and capital payments on borrowing which would reduce pressure on rents
- A shift in thinking from affordable rents to whole house costs

Accessibility

- Introduce a single governance framework for adaptations and commit to a further £7million per annum in funding to plug the current shortfall
- Change standards to allow a move to a mode of inclusive design
- Redistribute funding from health and social care to housing to meet the health and care outcomes in the Scottish Government vision

Delivery

- Create a national strategy accompanied by funding to support the growth in offsite construction and modular design to future-proof homes
- Set up a body to acquire land and offer plots with infrastructure and planning in place to help deliver affordable housing

A summary of a number of our proposals is as follows:

Energy Efficiency

- Continue to increase investment in energy efficiency through budget allocations and end the current 'business as usual' approach
- Roll out a public education campaign around energy efficiency which would support housing associations to work with tenants in making changes to heating systems, for example

Quality

- Adopt the recommendations of the Tenement Maintenance Working Group, particularly around sinking funds, which would allow housing associations to make repairs to mixed tenure blocks quicker

Innovation

- The Scottish Government should work across departments to support innovation which will deliver key national outcomes. For example, by providing high quality internet connectivity and supporting collaborative procurement, Scottish Government would provide the environment for housing associations to harness technology in homes and service delivery, reducing isolation, promoting independence, driving up economic growth, improving quality of life, reducing the need for care/hospital admissions, and delivering a range of national outcomes

Question 1: Do you have any comments on the draft vision and principles?

The Scottish Government vision and principles broadly align with those of SFHA. Our thematic priorities are more homes (both new and refurbished), tackling climate change, ending poverty and inequality, and integrating health and social care with housing. We need to see the housing system made fit for modern times in order to provide the homes needed and at the scale required.

The housing system is undergoing a fundamental shift and realignment. Much of this is due to a lack of social homes, but there are a number of other forces at play including economic instability, aspirational shift and social change. We desperately need more homes, but more fundamentally, we need a new system.

For SFHA members, their tenants and communities this requires a positive reframing of the housing system through the lens of social justice. One that puts social housing on equal terms with all other housing options. Social housing is not, so should not be viewed as, housing of last resort. Social landlords provide some of the highest quality and most energy efficient homes in the country.

We need a level playing field of housing options and choices, with tenure neutrality in standard and quality, public perception and access. Social housing must be viewed as a positive and equal choice in a rebalanced housing market which delivers from generation-to-generation according to need and aspiration. As organisations with social justice central to what we do, housing associations are perfectly placed to make this happen.

There are a number of key elements for the required change to our housing system:

- A long-term approach – which treats housing in the same way as infrastructure, to be planned and delivered above and beyond electoral cycles
- Housing as a human right – which acknowledges that a home is a basic human right and not a commodity disconnected from its social function – as the UN says, it should be somewhere “to live in security, peace and dignity”
- A social justice framing – one that combats stigma and stops social housing being viewed as a last resort option
- People first – doing more to shift the focus onto the person rather than the property
- Permanent and substantive government investment – to plan strategically for all ages and stages, keep standards high and costs affordable
- New thinking and innovation – in construction, services and technology

Housing Associations’ work creates great neighbourhoods and helps the government to meet other social, economic and environmental policy objectives – including health and social care, employment, tackling poverty and climate change. Our sector understands the centrality of housing in wider social and economic policies – and we deliver on this every day of the year.

In short, we do what other housing providers can't or don't aspire to – providing a home and making a real, tangible and long-term difference to the people who live there and the places they live in.

Evidence is clear that there is an outstanding need for affordable housing in Scotland. SFHA, in partnership with CIH and Shelter Scotland, will soon publish a refresh of our 2015 research into the level of need for affordable housing in Scotland.

We not only provide excellent homes; we support the people who live in them and create great places. As a sector we look forward to playing a central role in Housing to 2040.

Question 2: Do you have any comments on the scenarios and resilience of the route map or constraints?

The proposals in this submission aim to respond to the major influencers of the housing system – the ageing population, health, economic drivers, technology, energy and climate change. We look forward to discussing and developing our ideas further in partnership with the Scottish Government, our members and other key stakeholders.

Question 3: Do you have any proposals that would increase affordability of housing in the future?

What is affordable?

Affordability is the word of the moment in housing across the UK, but it means different things to different people. It is essentially about the ability of an individual to pay the rent charged by a landlord as well as other associated costs and housing associations are very much focussed on charging rents which tenants can afford.

Whilst the Scottish Housing Regulator and Scottish Government (in context of HAG funding) focus solely on rent levels, affordability is really about whether a family or individual can pay the whole costs of living in a home whilst maintaining a reasonable standard of living.

Scotland's housing association stock represents a significant national asset whose value must be protected for future generations by our long-term commitment to funding proper management and maintenance, essentially from rental income.

In the absence of an official definition of affordability, SFHA defines affordability as it relates to our sector. This definition has been updated a number of times over the years in line with societal, economic and political changes.

We currently support a 'moderate incomes' approach to rent setting based on affordability and sustainability, and that the approach takes into account value for money. It is important to note, there is a difference between value for money and the lowest cost.

There are many solutions and no one-size-fits-all approach, as there is no national rent policy in Scotland - nor any appetite for one.

To support associations with ensuring rents are affordable, SFHA and HouseMark Scotland offer a rent setting and affordability tool to members which allows social landlords to measure affordability against five different income types for different types of households. The tool is used by over 80% of SFHA members. Some associations are currently cutting costs to prevent rent increases while others are looking at their 30-year business plans to ensure rents remain affordable in the longer term.

When thinking about whole house costs, it's not just rents which matter. For example, if a housing association builds a passivhaus, fuel costs are lower; so even if rents are higher the house is more affordable. We have also had members inform us tenants have turned down new build properties as the council tax bands (D-F) make the total costs unaffordable. Affordability needs to be viewed in the round.

SFHA believes you can't talk about affordability and rents without reference to other tenures. As a sector we continue to take it seriously despite having the most affordable housing costs – and yet the debate seems to focus on social landlords.

There is also a significant challenge around the growing and competing priorities for funding. SFHA proposes that Government conduct an assessment into the cumulative effect of meeting the growing list of requirements (regulatory, compliance and legislative) placed on housing associations and the impact on rents. SFHA are also commissioning research into the impact of the regulatory and compliance environment for housing associations.

A recent Joseph Rowntree Foundation report shows lower levels of poverty in Scotland compared to other parts of the UK as a result of higher levels of social housing. The JRF Poverty in Scotland 2019 report (Congreve, 2019) states: "the difference in poverty rates between Scotland and the rest of the UK is mainly due to lower rents in the social housing sector as well as Scotland having a higher proportion of social rented properties". To both maintain and build on this, we need long-term investment from central government.

Public investment

In capital terms, new housing requires significant investment. However, it provides long-term benefits - it's preventative spending. Affordable social housing relies on public investment to ensure rents are affordable while associations fund repayments to private borrowing.

Housebuilding will continue throughout the period to 2040 due to demand from increased population, smaller households, changes in distribution of employment and replacement of some existing stock through dilapidations or age. If these new homes being built are to be affordable, they need to be supported by capital subsidy.

SFHA members, as part of their 30-year business planning, tell us that the current level of subsidy with an increase in line with CPI, will allow them to continue to build the high quality, affordable homes Scotland needs between now and 2040. As things stand, quality of product is costing more and level of subsidy remains static.

Affordable housing is shaped by both public and private finance and to ensure lender appetite remains, a commitment from Scottish Government on continued, adequate grant levels is vital.

According to the Scottish Housing Regulator, the increase in the funds available to RSLs during 2018/19 was double that in any of the last 10 years and the total amount of investment reached £6billion, with the total amount owed by RSLs rising to more than £4billion for the first time. Housing Associations are making more efficient use of their existing assets to support further borrowing and access to capital grant is an essential part of the mix.

Servicing the £4billion debt is a significant cost to landlords, with interest payments around £172m per annum, representing around 13% of landlords' income from rent and service charges.

An option the Scottish Government should consider as part of their Housing to 2040 commitments is the addition of revenue grants to RSLs. This would allow increased private borrowing to be arranged without impacting on the affordability of rents charged.

This would allow housing associations to provide additional homes to those financed partly with current capital grant funding and could be an effective way of increasing supply to meet outstanding need. This would be more costly to the government in the longer term, however, it allows the option of spreading costs over a longer period and it would allow housing associations to continue to build and to borrow without pushing up rents.

SFHA would not condone this as an alternative to capital subsidy, but an additional method of providing the social homes Scotland needs. A scheme like this already exists in Wales. The Housing Finance Grant is an annual revenue payment to housing associations for a total of 30 years and is used to help towards the costs of meeting interest and capital payments on borrowing to fund development in an agreed programme.

Alternative sources of income

Creating social enterprises is increasingly a way for housing associations to raise their income, make efficiencies and provide for their communities. However, more support from government in setting these up is a regular ask of our members, especially in identifying the need and right business model for them to be successful. While housing associations understand why the Scottish Housing Regulator is closely monitoring the setting up of social enterprises, concern has been expressed about how this can deter them from pursuing this model.

Currently, in a bid to bring in additional income to help minimise rent increases and provide additional services for communities, many housing associations have profit making subsidiary companies which then feed profits back into the parent RSL. Services offered by SFHA members through subsidiaries at the moment include: factoring services, student accommodation, mid-market rent, low cost home ownership, operating a windfarm, running community halls, designing living and work spaces for people with disabilities, running nurseries, operating a stables, recycling and selling on furniture and white goods, delivering repair and maintenance services, running cafes, selling services such as corporate services to other associations, running business parks, managing for-hire storage units and even running the local Post Office. Another association is taking part in a battery storage pilot to complement solar PVs.

Costs are rising across the board, so associations are building new stock and exploring other innovative streams of income to bring in more funds and prevent rent hikes.

Support with innovation during this next housing programme could see more schemes like these which can cut costs on an ongoing basis. There is clearly already ability and willingness within the sector to deliver.

Collaboration

As well as these innovative projects, many housing associations are also seeing cost benefits through collaboration. Within the vision, the desire of government to see everyone in a safe, secure, affordable and adaptable house requires government action to set building and housing standards to achieve this ambition and to play a role in co-ordinating how housing associations can work together to maximise economies of scale.

There are already a number of excellent examples of regional collaborations such as FLAIR in Renfrewshire and ARCHIE in Edinburgh as well as shared services and even shared CEOs.

Collaboration as a means of delivery is not well recognised and the Scottish Government has a role to play in promoting this.

Digital transformation

Efficiencies are being delivered through digital transformation – mobile working for staff, digitisation of IT infrastructure and processes, digital inclusion work with tenants, and self-service options for tenants. This allows housing associations to more effectively target their staff resource into high value work with tenants and communities; delivering the Scottish Government’s preventative agendas in health and social care; reducing inefficiencies through automation and technology; reducing isolation and developing a range of learning, development and employment opportunities driving up economic growth and wellbeing.

Construction

When it comes to the building of new homes, offsite construction can slash costs. Homes can be built under factory-controlled conditions and delivered to site without delays due to the weather etc. It also allows economies of scale.

Homes built as modular with built in flexibility from the start to a true accessible standard with moving walls etc would reduce costs in the longer term. As would investing in existing stock now so homes are accessible for the future – we don’t need to wait until individuals require adaptations. Some housing associations are already exploring these options, but government support is required to see it scaled up and having an impact by 2040.

In relation to the specification of homes, we already have housing associations trialling extended life options. This includes installing extended life kitchens where high standard fittings such as granite worktops and modularly designed units are installed which means parts can be changed independently rather than full kitchens requiring replacement. They also believe it supports the efforts to tackle the stigma of social housing and encourages tenants to take pride in their home. This is also an example of preventative spend.

Land

An area which could see huge improvements in terms of affordability is land. Developers and landowners – rather than communities – continue to wholly benefit from the uplift in land values generated by development. Now, more than ever, we have the opportunity to tackle this.

SFHA has long called for land value capture to be used as a way to aid affordability and increase rates of build of new, affordable housing.

We need a system that will allow distribution of revenues on the basis of need, rather than market circumstance, and one which reinforces the ambition for, and achievement of, socially inclusive placemaking. Of the many factors that contribute to this, land is one of the most critical.

This is not about punishing developers or distorting the market. Indeed, inflated land values disadvantage both the private and public sectors. Rather, it is about introducing fairness and equality into a system currently characterised by distortion and inequality. It is about rebalancing and redistributing for greater social good, which we will all benefit from.

We would ask that the Scottish Government set up a body to acquire land and offer plots with planning permission. This would open up sites which would otherwise not be viable for affordable housing.

Taxation

There are also a number of changes to our current taxation system which could increase affordability of housing in the period to 2040.

Changing the VAT position of rental income for housing associations could remove costs from the sector. If the status of rental income for social housing was changed from 'exempt' to 'vatable' and a zero-rate applied, this would put the majority of housing associations on a level playing field with local authorities who provide social housing. This change could remove tens of millions of pounds of costs from housing associations over the next 20 years. This additional funding could be used to address the increased costs our sector faces and help keep rents affordable.

There is also the issue of VAT being applied to existing housing but not to new build housing. By addressing the inequality of VAT application on existing stock, the Scottish Government could reduce the costs of repairs, maintenance and regeneration.

SFHA would also support increased taxes for second homes being used to subsidise social housing in the local area. The Scottish Government's 2040 principle one states the housing system we want should mean one decent home per household takes priority over second homes and investment. Many second homes lie empty for long periods of time which leads to communities disappearing. Our vision for 2040 would see communities kept alive through using tax levers to create permanent homes and communities. SFHA would support calls for, and be willing to be involved in, a working group to explore what taxation and legislative changes could support this vision.

Housing and care

The Scottish Government's draft vision captures health and care of tenants quite significantly. This would require rethinking redistribution of funding from health and social care to the housing sector.

Our ageing population means housing association staff are often spending more time dealing with tenants with more complex needs. These are staff who do not provide social care services but who do have a understanding of the tenants. If housing associations were to have access to social care budget, they could manage the care in a more proactive and personalised way for residents. This could lead to efficiencies through flexibilities and SFHA would propose the Scottish Government fund a pilot to explore this.

There would also be merit in funding an initiative to encourage leaders from different sectors to explore different models of community care and move initiatives forward. The current shrinking of people and financial resources within strategic bodies cuts down on opportunities to do joint working so there is less people connection across sectors. We should not rule out any new financial models and instruments to maintain affordability and best service for tenants.

Recommendations

In summary, affordability is, and will remain, key as we move towards 2040. Many examples of great practice and innovation already exist and SFHA strongly believes that in working with our sector, the Scottish Government can meet their vision of a well-functioning housing system. Our recommendations are as follows:

- Maintain public investment at current level with increases in line with CPI
- Consider offering revenue grants to help towards costs of meeting interest and capital payments on borrowing reducing the impact on rents
- A shift in thinking from affordable rents to whole house costs
- A government impact assessment into the cumulative effect of requirements placed on housing associations and how this impacts rent levels
- Support for housing associations in setting up social enterprises which provide for communities and raise income which helps keep rents low
- Government support for collaboration as a means of delivery
- Support for continued digital transformation
- Funding to support the growth of offsite construction and modular design to future-proof homes
- Set up a body to acquire land and offer plots with infrastructure and planning in place to help deliver affordable housing
- Application of zero-rate VAT for rental income in line with local authorities to remove costs and keep rents affordable
- Address the inequality of VAT application on repairs and maintenance of existing stock to reduce costs
- Increases taxes on second homes to fund social housing and keep communities alive
- Redistribute funding from health and social care to housing to meet the health and care outcomes in the Scottish Government vision
- Implement the recommendations of the SFHA, CIH and Shelter Scotland Affordable Supply Research which is due to be published in late March 2020

Question 4: Do you have any proposals that would increase accessibility and/or functionality of existing and new housing?

Scotland's ageing population is one of the biggest challenges facing the sector in the next 20 years. The National Records of Scotland show the population of Scotland is projected to increase by 2.5% to 5.57 million between mid-2018 and mid-2043. The figures estimate there will be 240,000 more pensioners over the next 25 years, an increase of 23.2%, while the working age population reduces by 7000 people.

These figures highlight how vital it is to secure the investment needed for more homes that are fit for people's needs, both now and in the future.

Every new home of any tenure should be built so that it can be occupied by any person, regardless of mobility. This is in addition to existing space and access standards. This would eliminate the requirement of adaptations or relocation to meet the needs of an individual occupier. Many modifications have a short shelf life due to meeting the personal circumstances of a specific tenant at a specific time.

All housing partners and the Scottish Government need to work together to shift emphasis from downsizing to 'rightsizing' for older people. It should be viewed as a positive choice for older people to choose to move home to meet their needs and improve their quality of life. This has the added benefit of freeing up larger family homes for those who need them.

We could end the need for mitigating any sanctions against additional bedrooms by designing homes with demountable internal walls which could be positioned to suit the needs of the tenants. This would allow homes which see couples go on to have a family and then revert to being a household of two when children move on, to utilise the same space in different ways to meet their needs. Flexibility to suit different times in people's lives would enable people to live independently in their own homes for longer and this view is central for SFHA's vision for housing to 2040.

Garages offer the opportunity to extend living accommodation on the ground floor, even temporarily, should circumstances of tenants change. We should look to build more social homes with garages to enable this futureproofing. It will be more costly than current types of build, so flexibility with government subsidy would be essential.

The general unsuitability of the PRS for certain types of households means the onus is placed on social housing providers, some specific proposals on meeting future need are outlined below.

Shift to 'Inclusive Design' and Accessibility Performance Certificates

As part of the Innovation and Future Thinking Programme, SFHA has worked with partners from across and beyond the sector to develop thinking around 'Inclusive Living'.

The concept of Inclusive Living has been co-produced with the Scottish social housing sector and wider partners to formulate a vision that can bring together diverse activities in the housing sector around social inclusion, inclusive design and building connections.

The vision for the Home of the Future is about integrating fragmented elements to support accessibility, adaptability, flexibility and in-(ter) dependence within housing.

The Home of the Future will be designed around individual needs and desires of the people living there, and will reduce isolation and support connectivity and independence through a framework that focuses on:

- Social inclusion and equality structural barriers, representation of all groups, co-production, safety and well-being
- Physical space and design accessibility, adaptability of internal and external environments, technology, sustainability, green spaces, quality, universal design
- Relationships and connections: social connectedness, relationships, partnership, transitions through spaces and supporting independent living.

Current standards that exist can be augmented and revitalised to take into consideration the integrated nature of housing design through the lens of inclusive living. This will help meet the housing needs and challenges of an ageing population as well as better meet the needs of people living with restricted mobility and disabilities.

To make this change will require a number of work strands to bring about a culture shift. Some of the required changes include:

1. A review of the Housing for Varying Needs standard in Scotland
2. A change to current building standards and updates to the Planning Advice Note 78
3. A change to the LHS Guidance
4. A change to the SHIP Guidance
5. The creation of an online cost/benefit indicator for the housing sector
6. Sharing the vision of Inclusive Living to break down silos and assumptions between groups of people and types of housing.

To be successful, several professions such as architects, developers, planners, construction firms, social work and community care would need to work together with the housing sector. The SFHA innovation project is proof this can and does bring results. The full report will be published in March 2020.

In London, a system was devised to categorise social housing according to accessibility criteria ranging from 'Wheelchair Accessible Throughout' to 'General Needs'¹.

Scotland should go a step further to require all homes to be assessed for accessibility and to have an 'Accessibility Performance Certificate' in much the same way that landlords and owners are required to have an 'Energy Performance Certificate' at point of rent or sale.

This would help identify the number of accessible properties that exist and help identify shortfalls to meet need. Improvement in accessibility could also be seen as adding value to the property and get people thinking about lifetime homes. This would also help allocate homes for social rent.

¹

https://www.london.gov.uk/sites/default/files/lafr_good_practice_guide_2011.pdf

This will require a legislative change in order to make it compulsory and to introduce sanctions for non-compliance. The costs of introducing this legislation would need to be scoped further. The cost of not introducing this type of intervention would mean continual unmet need, resulting in negative impacts on health and wellbeing.

The cost of each accessibility certificate would need to be determined but would be comparable to an Energy Performance Certificate (EPC), which costs between £60–£120.

New Governance Framework for Adaptations

A single governance framework is required for adaptations, irrespective of tenure. The performance of adaptations supply is measured differently across home ownership, private rented sector, council housing and housing associations. Importantly, there is no uniform measure relating to the outcomes of the adaptation for the recipient.

Transforming our approach to adaptations, together with the introduction of Accessibility Performance Certificates will transform our use of properties across Scotland, as well as enable an understanding of the outcomes achieved for people, allowing us to invest money in evidence-based interventions.

This will require a national performance framework to be agreed and implemented, so will likely require training, regulation and funding. Health and Social Care Partnerships have responsibility for adaptations, but there is variation in how this is implemented across Scotland. A shared understanding of outcomes would help reinforce the importance of timely adaptations and the outcomes that can be achieved for individuals, and the savings achieved for health and social care systems.

SFHA has identified an annual shortfall of £7million for adaptations required in housing association homes to enable people to stay in their homes, return to them after hospitalisation, and to promote physical and mental wellbeing.

Cost savings could be achieved in the longer term as we gain a better understanding of the most effective interventions and approaches.

Technology Enabled Care (TEC)

Social landlords (local authorities and housing associations) provide around 500,000 homes across Scotland in nearly all locations and communities. This reach, together with their contact with people who aren't currently receiving formal care services but may in the future, has provided an opportunity to take forward a preventive agenda through technology enabled care.

The national Technology Enabled Care in Housing programme, funded by the Scottish Government's TEC Programme and hosted by the Scottish Federation of Housing Associations is working with a wide number of housing organisations and individuals to promote and support the contribution that the housing sector is making to the use of TEC in housing.

Recommendations

SFHA recommend the following changes are made to increase accessibility and functionality of new and existing housing:

- Make a number of changes to standards and guidance in order to shift to a mode of inclusive design by integrating fragmented elements of support to aid accessibility and introduce Accessibility Performance Certificates for all properties
- Introduce a single governance framework for adaptations as well as commit to a further £7million per annum to meet the shortfall in adaptation funding
- Explore new and existing tenures and design them to meet needs, some existing tenures are underused or unexplored
- Scottish Government to continue to work across government departments to take forward a positive prevention agenda harnessing technology, homes, housing, care, and support services to deliver better outcomes for individuals, families and communities.

Question 5: Do you have any proposals that would help us respond to the global climate emergency by increasing the energy efficiency and warmth and lowering the carbon emissions of existing and new housing?

New housing

Despite the progress made under the 2016-21 affordable housing supply programme, evidence indicates that significant housing need persists across Scotland. Our soon-to-be published research in partnership with CIH Scotland and Shelter Scotland (a refresh of the work which informed the 2016-21 AHSP) supports our call for the current target of 10k additional homes per year to be maintained.

However, we know that housebuilding generates a significant carbon footprint. At the end of 2019, a report from the World Green Building Council found that 39% of all carbon emissions in the world can be attributed to building and construction. So how do we balance the need to provide more affordable housing with the need to reduce carbon emissions?

This should be achieved by moving away from traditional methods of construction. There are existing examples of good practice in this area already; Eildon Housing Association, for example, have begun a significant and innovative project which will see them test different methods of construction (including Passivhaus, Energiesprong and Volumetric as well as traditional methods) across four sites. Up to 50 new green homes will be built under the programme, findings from which will offer vital evidence to inform future development policy, in terms of construction costs, time to build, living quality and financial viability.

If we are to reduce the carbon emissions generated by housebuilding then the shift away from traditional methods of construction must be significant – and therefore be underpinned by government policy, legislation and targets. In December 2019, a report commissioned by Construction Scotland Innovation Centre, Scottish Government and Scottish Enterprise on increasing offsite housing construction in Scotland was published. This found that when correctly applied, the use of offsite construction can benefit the provision of affordable housing in Scotland in a number of ways, including lowering the levels of waste, energy consumption and carbon emissions from the manufacturing and assembly of affordable housing (while also improving the cost and quality of construction).

The report highlights the findings of research in China which compared offsite prefabrication and conventional construction methods in two residential projects:

“The use of offsite methods reduces greenhouse gas emissions per square meter compared with the conventional construction. The former has produced 336 kg/m², while the latter 368 kg/m². [...] Four elements that positively contributed to reduce emissions are the embodied GHG emissions of building materials, transportation of building materials, resource consumption of equipment and techniques, and transportation of waste and soil, which accounted for approximately 86%, 18%, 10%, and 0.2%, of reduced emissions, respectively.”

Despite this, the report also found a persistent preference for agencies in the housing supply chain to use traditional construction methods.

The report calls for a national strategy to tackle the barriers it identifies to increasing offsite construction activity in Scotland, which we would support. As noted in the report – and as evidenced among our members – offsite approaches are already being adopted and there is a desire to do more, particularly within the context of the climate emergency. It is essential that government levers are used in order to facilitate this.

Funding innovation

Eildon's project was enabled through a strategic partnership between SFHA and Construction Scotland Innovation Centre. This partnership seeks to increase opportunities and provide support for SFHA members. A funding call was launched in 2019, which saw CSIC offer up to £50,000 of academic funding support for the implementation and take up of Modern Methods of Construction.

The call provided an opportunity for housing associations to trial fresh ideas with brand new prototypes and processes for their future development programmes. SFHA's involvement in the development of the funding call meant that we could ensure that it was an opportunity that would fit with our members' needs and provide a funding option that would enable them to test their innovative ideas.

While housing associations are always grateful for funding opportunities from the Scottish Government and other key agencies, we often hear that aspects such as qualification criteria and the timing of the call opening mean that the opportunity is not viable for them. The duration which the funding call is open can also pose an issue; if members do not already have a project they are working on that they can make fit with the guidelines then they are sometimes deterred from applying as there is no time to develop a proposal. This is particularly true of smaller organisations with limited capacity to dedicate to applications. Therefore, we risk missing out on innovation, if projects are not given the correct environment in which to be explored.

The climate emergency is unprecedented; and will not be tackled through business as usual measures, therefore more experimental funding opportunities are needed to enable housing associations to increase their contribution. We would hope that the Scottish Government is open to working with SFHA and our members on developing new and existing funding opportunities as we have successfully done in the past, including most recently on the RSL Homelessness Prevention Fund.

Existing housing

The Scottish Government is due to publish an update to the Climate Change Plan in Spring 2020, following the increased ambition of the new targets set in the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019. We also await an updated version of the Energy Efficient Scotland Routemap around the same time. In their current forms, both note the importance of reducing the emissions generated by buildings, with 35% of domestic buildings' heat to be supplied using low carbon technologies, where technically feasible, by 2032.

Much of this target will be met through EESSH2, under which as much social housing stock as possible should be treated to meet EPC B by 2032. This is a far higher standard than is demanded of other tenures; the private rented sector is expected to meet only EPC D by 2025 and consultation on standards to be applied to owner/occupiers is ongoing.

Despite having lower expectations, increased funding options are available to the PRS and owner occupiers through Home Energy Scotland, for example. Housing associations have already borne the vast majority of the costs required to meet EESSH themselves; over 90%. EESSH compliance is so high as the measures needed to meet the standard were seen as the most straightforward – however the total cost for housing associations to make these improvements was more than £400m. EESSH2 is a significant step up from the first standard, yet we are going straight into it without pause for evaluation from EESSH or a funding offering which will support housing associations to meet this target – despite the fact that in doing so, they will deliver on a significant part of the Scottish Government's Climate Change Plan.

Having different standards for different sectors should not continue for two reasons: for tenants in particular, the standards they should be able to expect should not vary between the PRS and social housing; and it means we are missing out on maximising energy efficiency across the country. If we continue as is, in 2032 we will be in a situation where only social housing has maximised opportunities for increased energy efficiency – only eight years before the target for net zero carbon.

SFHA are members of the Existing Homes Alliance Scotland and as such, support the recommendations of the *Pathway to Zero Carbon Homes by 2045* report, published in 2019. This sets out a range of milestones and actions which must be taken between now and 2035 in order to meet the 2045 target; actions which will also contribute to the realisation of the 2040 vision. We also supported EXHA's call for a doubling of the budget allocation to energy efficiency in 2020-21. While this was not provided in the Scottish Government's draft budget for 2020-21, we welcome that additional funding for energy efficiency and fuel poverty was provided – and would hope that this will continue to increase year-on-year, on the significant scale that will be needed to tackle the climate emergency as well as energy inefficiency and fuel poverty.

It is important to highlight the EXHA call did not include consideration of the costs that will be required for social housing to meet standards such as EESSH2. This is something that SFHA will be working on with members to identify throughout 2020. We recognise the Scottish Government cannot provide total grant funding to cover these – however we would ask that there is acknowledgement these costs are certain to be significant and pose real risk to housing associations’ ability to keep rents affordable. We will share findings once these are available and ask that the government is open to working with us to find solutions to this challenge.

Heat policy and fuel poverty

Of particular relevance to lowering the carbon emissions of new and existing housing is the need for clarity from the Scottish Government on plans to reduce reliance on gas. Housing associations set long-term business plans – typically 30 years – which include plans for programmes of work including boiler replacements. Some are at the point of having just installed new gas boilers or are just about to. Normally, these boilers would be expected to last for around 15 years. Therefore, there are concerns that this may be wasted investment if the decision is made that these must be replaced to support the transition to low carbon.

We are obviously in an unprecedented situation and housing associations are more than willing to play their part. However, in order to do so, there needs to be leadership from the Scottish Government alongside a clear plan. Currently, messaging around plans for hydrogen, district heating and heat pumps is confused, varied between the different government departments involved and at odds with that of industry. Therefore, we are calling for the Scottish Government to resolve this in order that housing associations can have more confidence in their future investment plans. This should be in the form of a clear plan which takes into account the needs of different geographical areas; rural areas like Orkney for example, which are already off-gas. We also ask that this is developed as a collective plan, with input from each relevant government department; clarity around how certain policy agendas align (decarbonisation and fuel poverty, for example) is also required.

This would also allow housing associations to put in place plans to work with their tenants to prepare for the transition to low carbon. General public understanding of low carbon heat is low and tenant preference is for what they know and can control: gas. Installation of alternative measures can be disruptive and requires support from housing associations not only during installation but on an ongoing basis in order that tenants are not only confident in operating their heating for their own comfort but also in order that the energy efficiency and bills savings potential is maximised. Home Energy Scotland has its place – however capacity and funding has remained static and will therefore not be sufficient to deliver change at the pace that is required. Its scope for outreach support is also limited, meaning support for the most vulnerable members of society (those most likely to experience fuel poverty and less likely to ask for help) is predominantly provided and funded by housing associations and the wider third sector.

The transition to a low carbon economy must be balanced with the targets already in place to greatly reduce fuel poverty. The latest Scottish House Condition Survey findings (January 2020) show that social housing tenants make up 41% of those living in fuel poverty and that households in the lower income bands – as well as those in rural areas – are significantly more likely to experience extreme fuel poverty. Measures installed to meet standards such as EESSH2 will not lift these people out of fuel poverty; more must be done to tackle high energy prices and low income. We do appreciate, however, that the Scottish Government is sympathetic to this issue and is limited in what it can currently do as powers are largely still reserved to the UK Government.

However, as part of the Energy Efficient Scotland programme, we would like to see a review – and expansion of the advice delivered through Home Energy Scotland in order that we can start to see significant progress towards the fuel poverty targets. Housing associations and other third sector organisations also deliver extensive work in this area and are well placed to maximise impact of any additional funding that is to be allocated through the upcoming Fuel Poverty strategy, for example.

Recommendations

SFHA recommend the following steps are taken to support the response to the global climate emergency by increasing the energy efficiency and warmth and lowering the carbon emissions of existing and new housing:

- A national strategy accompanied by funding to support the growth of offsite construction and modular design to future-proof homes
- Co-design funding options with SFHA/strategic partners – ensure experimental options which allow exploration of innovation that will be required to tackle the climate emergency
- Take a tenure neutral approach to the installation of energy efficiency measures – it is not fair that housing associations (and tenants) must bear the brunt of costs and upheaval that will be necessary to meet standards such as EESSH2
- Ramp up investment in energy efficiency through budget allocations and funding provided for energy advice services
- Work across government departments in order to provide clarity and alignment of policy agendas, e.g. decarbonisation and fuel poverty, and particular challenges faced in rural and remote areas on these issues
- Rollout a public education campaign around energy efficiency which would support housing associations to work with their tenants in making changes to their heating system, for example

Question 6: Do you have any proposals that would improve the quality, standards and state of repair of existing and new housing?

Tenement maintenance

A particular challenge in meeting EESSH2 will be for those with tenemental stock, and especially for those dating pre-1919. Significant investment will be required to bring this type of stock up to (or close to) EESSH2, which is assessed on reaching a certain SAP score. This focus on meeting a certain number means that we will have to consider the installation of measures that will cause disruption to tenants – just to meet a certain score. As there has not been the opportunity to evaluate EESSH before starting EESSH2, it is unclear whether this disruption will in fact be effective for tenants in terms of reducing energy bills; which misaligns with another 2040 target, around levels of fuel poverty. In some cases, it will never be possible to reach this standard, risking an increase in demolitions and again, misaligning with emissions targets, for example.

SFHA and our members contributed to the work of the Tenement Maintenance Working Group, and support the recommendations contained within the group's 2019 report. In adopting these, the Scottish Government would enable significant progress towards improving the quality standards and state of repair of existing housing in particular. Again, this would require a tenure neutral approach; in blocks where there is mixed tenure ownership, housing associations are often prevented from carrying out repairs due to reluctance from private landlords and owner/occupiers to make the same investment.

While repairs to tenements in particular can be painful in terms of cost and the scale of work required, we must take a collective responsibility for this. One part of the sector should not be held to a higher standard, meeting which risks increasing rents as housing associations cannot continue to absorb the costs of doing so. It is important that the starting point for the Housing to 2040 routemap is one which is designed to avoid making the mistakes of the past and does not continue with an attitude and approach to maintenance that will result in us facing the same challenges in terms of quality standards and repairs in 20 years.

Digital innovation

Maintenance and repairs have traditionally been manual exercises. For example, many housing associations make repairs or replacements according to arbitrary cycles, e.g. kitchens replaced every 15 years. Recognising this can be wasteful (replacements being made before they are actually needed) or risk repairs not being made in a timely fashion, SFHA members are exploring digital options for managing their maintenance programmes. Through the Homes of the Future strand of our Innovation and Future Thinking programme, housing associations have come together to explore digital asset management. Starting with modelling the lifecycle of a boiler, the team have gone on to map all of the systems through which they collect data across their organisations and are exploring ways of better using this data to not only improve their approach to maintenance and asset management, but in identifying issues faced by tenants in terms of fuel poverty, for example.

As with all SFHA's innovation across the IFT, progress has been made through members contributing their time and knowledge, and through working in partnership with government, and industry and academia. The latter is of particular significance as while not all funding requirements should be expected to be met from housing associations' own reserves, the sector knows that government cannot be expected to meet all funding needs. What government must do however, is ensure the environment for such relationships to develop as well as champion – and learn from – a sector which is already making significant progress towards the vision set out in this consultation.

Recommendations

SFHA recommends the following steps are taken to improve the quality, standards and state of repair of existing and new housing:

- Adopt the recommendations of the Tenement Maintenance Working Group, particularly around sinking funds, which would allow housing associations to more quickly make repairs in mixed tenure blocks
- The Scottish Government should both recognise and learn from innovation in this area from housing associations, and ensure an environment that will allow them to continue this work

Question 7: Do you have any proposals that would improve the space around our homes and promote connected places and vibrant communities?

Green infrastructure

Through a partnership with Scottish Natural Heritage, Architecture + Design Scotland and Scottish Government under SFHA's IFT programme, three green infrastructure projects have been supported with funding to support the design process of their development plans. Lessons from the three projects (redevelopment of Meadowbank stadium in Edinburgh, and two SUDS projects in Glasgow) will offer valuable lessons and evidence for the sector in taking forward similar types of development. While the addition of the new homes provided by the developments is key, what is most important is the work is going into ensuring that what is being created are places that meet the future tenants' needs – not only at the point of moving into their new homes but throughout the time which they live in them.

Green infrastructure funding managed by Scottish Natural Heritage was made available through the European Regional Development Fund. We must ensure that opportunities for future green infrastructure development in Scotland are not jeopardised through this loss of funding post-Brexit.

We have argued for an affordable housing supply programme that is more finely grained than merely a target for a certain amount of homes to be built. As part of this, we would call for targets to be set which increase the number of 'places' created through the delivery of new affordable housing. The Meadowbank project saw extensive community consultation, taking into account issues such as transport links and biodiversity. If the government is clear that placemaking must be a key outcome of any new development, then this would act as an incentive to housebuilders to shift from their traditional delivery model. This aligns with the call for a national strategy for offsite construction.

We have argued for a new housebuilding target to be set as the evidence consistently shows us that housing need and demand is still extensive. While we recognise that there are issues with a targeted approach, we believe another is necessary to give us something to work towards; this has proven successful in the current AHSP. However we must balance this with ensuring that homes are not built anywhere they can fit just to boost numbers – we must build the right homes in the right places, those which meet people's present and future needs, and which have been developed with as much consideration for issues such as place, biodiversity and local connections as the three places that have been supported through our IFT programme.

Planning and placemaking

There are two key levers which we must exploit in order to ensure we create the homes and communities described within the 2040 vision: The Planning Act (Scotland) 2019 and the National Performance Framework.

The planning system is a key enabler of the delivery of the housing Scotland needs. Rather than the bureaucratic image that the system is perhaps prone to suffer from, its role is an important one in terms of the achievement of strategies around areas such as placemaking and inclusive growth. It's for this reason that we closely followed the passage of the Planning Bill through Parliament, as part of the Scottish Alliance for Places and People (SAPP). We were pleased that some of the key SAPP 'asks', including the introduction of a purpose for planning made it into the final bill.

However, some of the most important issues for our members, notably land value capture and the inclusion of housebuilding targets in the National Planning Framework 4 (NPF4) are now being looked at later than we would have preferred. We also note that the Royal Town Planning Institute (RTPI) has published research which indicates the scale of the costs to local authorities of implementing the numerous new duties placed on them by the new legislation. This is concerning given that cuts to local government funding have already had an impact on council planning teams. Therefore, we would like to see confirmation that the implementation of the new Planning Act will be adequately resourced in order to maximise the potential of the legislation to focus on delivery of homes and places – and not as a barrier.

The local place plans introduced through the new Act offer great potential to deliver places that people want to live in – again, as long as appropriate resource is allocated. Housing associations fulfil a community anchor role and are therefore well placed to support communities to produce their own plans. Local place plans will only be delivered as intended through authentic community engagement – and this is particularly true if we are to ensure that they are implemented in all types of communities and not just those with lower levels of deprivation. Housing associations tend to serve those living in the most deprived areas and as such, are able to develop high levels of engagement and trust among their tenants – offering much more than just a house. Successful delivery of these will play a crucial role in the delivery of the Housing to 2040 vision by delivering the places it envisages. We look forward to continuing to work with the government in the implementation of the new legislation.

There are existing mechanisms which would work well with the delivery of the local place plans, e.g. the Place Standard. SFHA is currently working with NHS Health Scotland to promote use of the tool among our members. Tools like this can have huge impact if there is buy-in from all relevant stakeholders, guidelines make them easy to use, and there is clear alignment with overarching aims and objectives, e.g. the National Performance Framework. Therefore, we hope to see commitment to the Place Standard Tool in the long-term, as a mechanism to deliver on the place ambitions contained within both the Housing to 2040 vision and the NPF.

Recommendations

SFHA recommends the following steps are taken to improve the space around our homes and promote connected places and vibrant communities:

- Ensure the Planning Act does not become a missed opportunity in ensuring that local authority planning departments are appropriately resourced to deliver this new legislation; failure to do so will result in continued focus on planning as a process as opposed to a system which should deliver key infrastructure including housing as well as sustainable communities and places
- Recognise the significance of housing associations as community anchors and therefore ideally placed to support the delivery of local place plans - and the placemaking agenda more generally – and provide adequate funding and support to reflect this
- Develop an alternative funding mechanism for green infrastructure development due to the loss of European funding post-Brexit
- Again, recognise and learn from sector-leading work being carried out in this area by housing associations.

Question 8: Any other comments

Stigma

Tackling the stigma of social housing is high on SFHA's list of priorities. There remains a huge gap between perception and reality when it comes to social housing.

Scotland's housing associations are proud owners of some of the highest quality, most energy efficient homes in the country. Tenant satisfaction, which must be measured for returns made to the Scottish Housing Regulator, is consistently high.

However, social sector properties are often instantly recognisable within open market schemes by the lack of a garage or through different styles or brickwork or front doors. This is often down to a choice made by developers who must contribute towards social housing stock through section 75 obligations. Building homes which look different to those built for sale is a practice which should end.

It could also help end the stigma if social housing was a choice for everyone. Currently there is not enough social housing to meet need so for some it's not a realistic housing option for them.

Recommendation

The Scottish Government should end the stigma of social housing by working with SFHA and others to collaborate on a study and subsequent campaign.

Other tenures

Social landlords cannot deliver homes with less subsidy without increasing rents or shifting focus from social rent to other forms of affordable housing which require less subsidy but cost more in rent for tenants. Meeting the demand for social housing can only be met by providing more of it.

Mid-market rent and other affordable housing tenures serve an important purpose and are a vital part of the tenure mix, however, they are not an alternative to social rented homes.

SFHA does support the exploration of new tenures to meet needs. This might include co-housing as a solution for older people to help reduce social isolation and specific housing models for young people.

Social and economic impact of housing

SFHA is leading work with the Scottish Government, ALACHO, the Housing Association Charitable Trust (HACT) and housing associations to develop an approach and tool to monitor the social and economic value of investment in social housing and related services.

A prototype of the measurement system will be available in 2020. In tandem with this work, SFHA, in partnership with the Joseph Rowntree Foundation, NHS Health Scotland, and the Rural Islands and Highlands Housing Association Forum (RIHAF), has commissioned a major study into the economic and social impact of social housing which will provide a baseline nationally. The UK Collaborative Centre for Housing Evidence (CaCHE) has been commissioned to carry out this work which is due for publication in Spring 2020.

Recommendations

The Scottish Government continues to work with and support SFHA on an agreed approach to measurement of the value and impact of social housing, to enable Scottish Government and social landlords to demonstrate value for money.

Innovation

SFHA's Innovation and Future Thinking programme brings our members and other stakeholders together to collaboratively develop new ideas and solutions for the future. Over 300 individuals from across the housing sector are involved in the innovation community.

The strands of work are shown below. The new strand 'Housing Futures' will see hundreds of housing associations from every part of the UK come together to tackle the biggest challenges in housing. The biggest collaborative exercise ever undertaken by the sector, Housing Futures will be run jointly by the National Housing Federation (NHF), the Scottish Federation of Housing Associations (SFHA), Community Housing Cymru (CHC), and the Northern Ireland Federation of Housing Associations (NIFHA).

We look forward to sharing findings with the Scottish Government and to seeing the solutions being used to embed new ways of thinking and allowing the sector to deliver on its social purpose, no matter what comes next.

Recommendations

- Scottish Government to support SFHA's Innovation and Future Thinking programme and utilise the innovation community to co-design and develop new ideas for 2040
- Scottish Government to work across departments to support innovation which will deliver key national outcomes. For example, by providing high quality internet connectivity and supporting collaborative procurement, Scottish Government would provide the environment for housing associations to harness technology in homes and service delivery, reducing isolation, promoting independence, driving up economic growth, improving quality of life, reducing the need for care/hospital admissions, and delivering a range of national outcomes.

Innovation & Future Thinking



Home of the Future

Innovation in design, construction and maintenance will deliver higher standards and maintain affordable rents. The Home of the Future will be designed around individual needs and desires of the people living there, and will reduce isolation and support connectivity.



Service Transformation

Digital technology will transform how housing associations work, making staff and services more agile, more responsive to customers' needs and more efficient. Housing association customers will build their digital skills, bringing wide economic and social benefits.



Reducing Poverty and Measuring Impact

Many people on low incomes feel powerless, denied the same choices as others and often paying over the odds for goods and services. Housing associations enable people and their communities to be resilient. However, we can do even more to improve the lives of the people we are here for.



Housing Futures

In partnership with National Housing Federation

SFHA response to the Scottish Government's Housing to 2040: Consultation on outline policy options

February 2020

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SFHA would like to thank all members who contributed to this response by attending our workshops across the country and completing our online survey.