

**Affordable Housing Supply Programme**

**Summary and Recommendations**

This report provides Leaders with an update on the Scottish Government response to the Affordable Housing Supply Programme Investment Benchmark Working Group, and the representations made by COSLA and the wider Local Government family. It seeks a mandate for further work on costs and how the current benchmarks are working, and to continue discussions with Scottish Government in order to deliver on our shared aims of increasing the availability of social housing in Scotland.

This paper invites Leaders to:

- i. Note that the Scottish Government intends to retain a differential between Registered Social Landlord and council benchmarks without providing an evidential base for the differential;
- ii. Note that participation in continuous improvement programmes will be mandatory for Registered Social Landlords and councils, despite existing legislative requirements and local scrutiny processes that councils have in place;
- iii. Agree that officers carry out work with local authorities to understand costs and how the current benchmark arrangements are working and how these contribute to our shared ambitions for social housing in Scotland; and
- iv. Note that the Cabinet Secretary has been clear that local authorities should not see benchmarks as grant ceilings, but instead seek the level of grant support required for projects in order to maintain affordability.

**References**

Previous reports:

- COSLA Leaders August 2021
- COSLA Leaders June 2021
- Community Wellbeing Board Report March 2021
- Community Wellbeing Board Report Jan 2021
- Community Wellbeing Board Report Workplan Update Nov 2020
- Community Wellbeing Board Report Jan 2020
- COSLA Leaders January 2017 (Item 01b Affordable Housing Supply)

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**November 2021**

## Affordable Housing Supply Programme

### **Purpose**

1. To provide an update on discussions with Scottish Government regarding the Affordable Housing Supply Programme Benchmarks. It provides an update on correspondence from the Cabinet Secretary for Social Justice, Housing and Local Government, which set out the position that a differential between Registered Social Landlord (RSL) and council benchmarks would be retained, and participation in continuous improvement programmes would be a condition of grant. Officers seek a mandate to undertake work on costs and how the current benchmark system is working.

### **Current COSLA Position**

2. In August 2021, Leaders received a report on the work of the Affordable Housing Supply Programme Investment Benchmarks Working Group. Leaders agreed then that the overarching long-term position set out by COSLA Leaders in 2017 remained – i.e. if disparity in Scottish Government subsidy/investment levels between RSLs and councils continues, there are significant social justice implications, which disproportionately impact on council tenants.
3. Leaders agreed that affordable housing and the housing costs tenants face play a clear role in the shared commitment across spheres of Government to tackle poverty and inequity in Scotland. The disparity in investment/subsidy levels will put at risk councils' ability to continue to deliver the Affordable Housing Supply Programme, while meeting all other investment requirements in social housing, without impacting on the affordability of tenants' rent levels. Leaders also agreed that it is neither fair nor appropriate to subject local authorities' projects to a greater degree of scrutiny than the same or more expensive RSL ones would be.
4. Leaders also agreed that enforcement of participation in Scottish Government's continuous improvement programmes is an unnecessary and unwelcome requirement given existing legislative requirements, local scrutiny processes and existing procurement arrangements. In the spirit of partnership working, any participation should be voluntary and for the purpose of improving delivery and outcomes locally.

### **What is changing?**

5. The Cabinet Secretary met with the COSLA Community Wellbeing Spokesperson at the end of October and stated that the differential in benchmarks between RSLs and councils will be retained. This was confirmed in writing to members of the Affordable Housing Supply Programme Benchmark Investment Working Group where it was also stated that participation in continuous improvement programmes would be a condition of grant.
6. The differential between councils and RSLs in benchmarks is now £6500 for city and urban, £12500 for west highland, island and remote/rural, and £7500 for other rural. COSLA officers continually sought the calculations behind this differential. However, Scottish Government officials were unable to provide them, stating that that the revised differentials set out in the report were based "on judgement, which is no different to any other element of the benchmark's system". The different borrowing opportunities that are open to councils primarily refers to the perceived ability of councils to borrow from the Public Works Loan Board at lower rates than those RSL can secure through their funding routes. Logically that indicates that better value can be secured for both tenants and the

public purse by prioritising investment in council housing stock rather than that of RSLs. The lower benchmark for council projects means a higher degree of scrutiny for the same or lower level of public funding.

7. The differential means that for the same costs, local authority projects are scrutinised in detail by Scottish Government officials, despite also having local scrutiny processes – importantly at a political level by locally elected members who are democratically accountable to their tenants and communities. This additional scrutiny applied to local authority projects could delay their commencement which could be detrimental to communities across Scotland.
8. The imposition of a mandatory continuous improvement scheme on councils by the Scottish Government does not demonstrate the partnership approach to social housing delivery that Scotland's councils would hope to take forward. This is even more the case given the Scottish Government is a minority funder of the council building programme, and when there are already local continuous improvement efforts in place.
9. As noted in previous Leaders and Board reports on the AHSP, ALACHO, Directors of Finance, SOLACE, and perhaps most importantly local tenants' associations are concerned at the ongoing disparity and inequity in approach. Evidence was provided by Local Government setting out the investment pressures faced, an overview on the impact of investment pressures on rent affordability, an explanation of the complexities related to borrowing, and the additional costs faced by councils not faced by RSLs. Additionally, the evidence showing links between affordable housing, rent affordability, and poverty has been highlighted.
10. The view of Group members representing RSLs is that the benchmarks proposed by Scottish Government will mean the majority of projects will not come in at or below benchmark, based on the evidence they gathered and submitted. This is further emphasised given the current supply shortages and increased costs of materials that both RSLs and councils are facing.

### **Proposed COSLA Position**

11. Leaders are asked to note that the Scottish Government intend to retain a differential between RSL and council benchmarks without providing an evidence base for it. Leaders are also asked to note that participation in continuous improvement programmes will be mandatory for RSLs and councils despite existing legislative requirements and local scrutiny processes that councils have in place. Both of these decisions are counter to the position agreed by COSLA Leaders in August 2021.
12. It is proposed that officers carry out work with local authorities to understand costs and how the current benchmark arrangements are working and how these contribute to our shared ambitions for social housing in Scotland, and continue conversations with Scottish Government officials on same.
13. Leaders are asked to note that the Cabinet Secretary has been clear that local authorities should not see benchmarks as grant ceilings, but instead seek the level of grant support required for projects in order to maintain affordability (Appendix 1).

### **Next Steps**

14. If agreed, officers will work with the professional associations in Local Government to further scope work to understand the costs of delivering affordable housing in Scotland, and impact of the benchmark process on delivery of what is a vital service for those facing often the greatest financial hardship in Scotland.