



Gibb, K. (2015) Housing policy in Scotland since devolution: divergence, crisis, integration and opportunity. *Journal of Poverty and Social Justice*, 23(1), pp. 19-42.

Copyright © 2014 Policy Press

A copy can be downloaded for personal non-commercial research or study, without prior permission or charge

Content must not be changed in any way or reproduced in any format or medium without the formal permission of the copyright holder(s)

When referring to this work, full bibliographic details must be given

<http://eprints.gla.ac.uk/103553/>

Deposited on: 3 March 2015

Enlighten – Research publications by members of the University of Glasgow
<http://eprints.gla.ac.uk>

Housing Policy in Scotland since Devolution: Divergence, Crisis, Integration and Opportunity

December 2014 (Revised)

Accepted by Journal of Poverty and Social Justice (forthcoming 2015)

Abstract

Housing policy in Scotland is both distinctive and largely though not wholly devolved. Since 1999, housing has been at the core of divergent policymaking. In the recent referendum period, housing also featured indirectly in terms of the housing-related impacts of welfare reform such as the bedroom tax. Consequently, the proposed changes devolving aspects of welfare and borrowing proposed by the Smith Commission also have ramifications for housing. However, continuing housing need in Scotland and the various challenges identified in this paper to achieving strategic policy goals for the housing system mean that housing will remain a priority.

1. Introduction

Housing in Scotland has featured largely indirectly in the discussions around the Referendum and the Smith Commission. Where it has contributed, this has mainly concerned the interwoven relationship with Housing Benefit (HB) and the unpopular totemic bedroom tax¹. Many commentators (e.g. Cooke and Davis, 2014) would suggest that this is because housing policy is ostensibly devolved and this is evidenced by the divergence in housing policy since 1999 compared to the rest of the UK.

In this paper I will argue that housing policy is better conceived of as a hybrid of devolved and reserved powers (Author, 2012) and that it is in fact at the heart of social policy concerns particularly around the delivery of wider devolution proposals by Smith in relation to welfare benefits (Smith Commission, 2014). Moreover, housing plays an essential role to the increasingly place-based nature of the so-called Scottish approach to public policy centred on the Christie Commission proposals (2011). Housing also was critical to the period post economic crisis as Scotland struggled to find a distinctive response to and softening of austerity measures that flowed from Whitehall. The post-referendum context offers an opportunity to reconsider housing policy and strategy - it is no coincidence that there have been a number of reform-focused commissions underway during this period considering the long term approach required to provide lasting step change in the performance of the housing sector in terms of affordability, meeting need, extending supply and improving quality (RICS Commission, 2014; Lyons Review, 2014; Shelter Commission on Housing and Well-Being, 2013-15).

The paper is in six parts. After the introduction, the second section briefly provides a stylised overview of Scottish housing. Section 3 critically outlines the housing policy trajectory and key developments since devolution. Section 4 focuses in on the Scottish Government's efforts made through housing supply and benefits policies to counteract recession, credit crunch and austerity in the period since 2007-08. The penultimate section draws on the earlier material to address the critical (and generally uncritically advanced) question of devolving Housing

¹ Otherwise known as the under-occupation charge or the abolition of the spare-room subsidy, the most widely used term – bedroom tax - is used throughout this paper.

Benefit within the wider Smith Commission package of proposals. The final section summarises and concludes.

2. Housing in Scotland

It makes sense to start with a review of key trends in Scottish housing that relate to the policy sphere. There are useful summaries of the Scottish housing system, trends and outcome performance on the Scottish Government's housing and regeneration website (Communities ASD, 2014, and the Housing and Regeneration national performance indicators). The annual UK housing review also produces useful comparative UK trend data (e.g. Wilcox and Perry, 2014).

Households and the Housing Stock

Population and household change are the raw material of housing demand. After decades of contraction, the Scottish population is growing because of in-migration and because people are living longer and that converts into more households. Population grew by 5% from 2000-2013, reaching 5.33 million persons (Communities ASD, 2014). Households are growing quicker than population because average household size is shrinking and at the same time average household age is rising with older households growing most quickly across all age bands. The total number of households in 2012 was 2.39 million, projected to rise in 2037 to 2.72 million households (Communities ASD, 2014).

Demographic change translates into new housing demands but also need. Housing need is calculated at local level by local authorities as part of their strategic function but national estimates were last completed in 2006. Housing need consists of unaffordable housing as well as inappropriate housing, homelessness and specialist needs. It is important to stress that need is a subjective concept measured according to norms set out by Government. There is broad consensus about the approach taken but less so on the details. Currently, low income housing is heavily supported by benefits and tax credits, particularly by Housing Benefit (just under 478,000 Scots claimed HB in 2013-14, Stephens et al, 2014, including just under 2 in 3 social renting households).

The housing stock attempts to meet these household housing requirements through a variety of housing types more or less appropriate to Scotland's urban, rural and topographic settings. Housebuilding adds to the stock while demolition, conversion and improvement further modifies what is available. Turnover in any period is dominated by the existing housing stock, as are sales and properties coming on the market to rent. A key consideration is the extent to which the local and national effective land supply is sufficient to generate enough housing land to meet long term demographic change to households and thus keep supply and demand roughly in balance. In 2013-14, just under 16,000 units of new supply were completed, 10,686 of which came from the private sector – this is a slight improvement after successive years of falling output since the economic crisis (Communities ASD, 2014). Although they cannot be addressed in this paper, long term challenges for the housing stock's suitability concern its fitness for the different requirements of an ageing population, improving energy efficiency and carbon use.

Tenure and Tenure Change

Home ownership in Scotland grew rapidly between 1981 and 2011 (from 36% to 64% of the total), most of which happened before 2000. At the same time local authority renting

collapsed from 52% to 13% and housing association renting grew from 2-11% (Pawson and Wilcox, 2013, Table 17b). These are huge social changes within less than two generations.

However, after several decades of growth in home ownership in Scotland, the story of recent years has been the meteoric growth of private renting, rapidly catching up with social housing and, for under 35 year old headed households, Scotland's *largest* housing tenure (Communities ASD, 2014 report from the Scottish Household Survey that in 2013 35% of such households were owner-occupiers but 39% were private tenants). This reflects preferences as well as simply constraints. Housing policy and practice are arguably running behind the market in terms of the disconnect between the desire to regulate the rental market's problem landlords and improve housing quality in that segment and also offer greater tenure security while at the same time not scaring off larger scale investment in the sector. The changes to social housing are not just about council house sales, important though they are. They are also compositional: the impact of stock transfer to housing associations from a few councils but one very large one, plus more than 20 years of all social housing development occurring through housing associations (although a feature of Scotland in recent years is the growth of council house building since 2009).

Housing as a System

The housing sector is best understood as an interconnected system located in space that brings together a range of market and non-market interests across housing tenures, housing forms, and neighbourhoods or communities (see: O'Sullivan, et al, 2004). It involves land, finance, construction, social and private landlords, public subsidy, governance mechanisms (e.g. the housing regulator and the land planning system but also trade and professional bodies) and households. Aside from these multiple stakeholders, the housing system is buffeted by external drivers such as the finance system, interest rates, economic forces shaping housing demand and creating incentives for investment and development. Housing is complex and is jointly produced and consumed with other activities like neighbourhoods and local government services. This complexity and the long term nature of change in the housing system increases the capacity for housing policy not to work well (Schuck, 2014). Fundamentally, one needs to ask whether policy is joined up in this interdependent systemic approach to housing or not?

Cost, Prices and Affordability

Housing tends to be the largest household expenditure item² and along with our pensions the largest financial asset in the personal sector. The affordability of housing (another subjective contested term) is therefore important to society and for policy-making. Affordability tends to be measured as a ratio of some form of housing cost to income (and has many variants) or as a residual income - how much do we have left over after housing costs. So how rents and mortgage costs are set is critical, as are the levels and security of household income and the operation of relevant benefit systems.

In Scotland, house prices are modest by UK comparisons but are still beset by affordability difficulties. Will there be a mean-reversion or adjustment back to something more sensible? Knoll et al (2014) examine the long term trajectory of real house prices across 14 OECD economies and suggest that this is unlikely: real house prices have an upward and if anything accelerating long term trend. What about rents? Social rents are low and we only have patchy and incomplete data on private rents. Traditionally, Scottish social rents have been left, within

² Though as one referee of this paper pointed out, at the UK level, the 2014 family spending survey points out, housing is only a little above transport spending and this is in part due to the former incorporating fuel and power – see: <http://www.ons.gov.uk/ons/rel/family-spending/family-spending/2014-edition/sty-the-headlines.html>

regulatory limits, to landlord discretion - this may change as a result of Smith (further discussed below).

Public Resources for Housing Policy

Finally, a critical aspect of housing policy concerns the public resources made available to pursue housing policies. This concerns social and affordable investment programmes, a range of tax breaks, loan guarantees and state-backed equity finance and shared equity and of course the HB system³. What does this look like in Scotland?

Table 1 describes the pattern of social housing investment in Scotland from 2000-01 to 2012-13 focusing on the housing association programme (i.e. the total programme for new development combining capital grant and private finance⁴) in cash terms plus the overall level of investment (including investment in existing stock) for council, new towns and housing associations – both in cash and real terms. Table 2 summarises housing benefit expenditure from 2003-04 to 2014-15 in real terms. What stands out is that on the supply side the housing association capital programme fluctuates considerably and has fallen back significantly in recent years (though it has been compensated for by other forms of new social housing). Second, the overall programme for social housing investment has experienced large scale cuts since its peak on 2006-07. Third, on the demand-side, HB has risen sharply in real terms and this is largely explained by the growth in non-local authority spending, principally from the private rented sector.

Tables 1 and 2 on public spend on housing in Scotland and HB in Scotland here

There is near consensus in the housing community concerning the desirability of a decisive shift to supply from demand subsidies (Stephens et al, forthcoming). This was the position prior to the mid-1970s when around 80% of housing policy spend could be described fairly as supply-side but now that ratio has reversed, such is the dominance of HB (Stephens, et al, 2006). Demand-side subsidies are viewed as inefficient contributors to the housing supply deficit, also bringing (admittedly non-necessary) means-tested disincentives and other housing distortions as well (Gibb and Stephens, 2012; Stephens et al, forthcoming). These arguments would equally apply in Scotland, where current social/affordable housebuilding per capita is higher than in England but lower than in Northern Ireland. The political and policy problems are how do you move to a primarily supply-subsidy system and protect the vulnerable in the transition phase? This key issue arguably has not been adequately addressed by more radical proponents of combining demand and supply subsidies at local levels (e.g. Cooke and Davis, 2014).

3. Scottish Housing Policy since 1999

In Scotland, as elsewhere in the UK, housing policy has featured prominently in social policy and other political discourse. In part this is a resources question – how much funding and in

³ The usual working distinction in Scotland between *social* and *affordable* is that social housing like e.g. council housing, implies deeper subsidy and security or tenure allocated on relative need compared to affordable housing which, while still sub-market, has higher rents (normally still within HB ceilings) but has more relaxed rules regarding length of tenancy and who the housing is targeted at e.g. low to moderate income working households. Affordable housing also includes low cost home ownership.

⁴ The mixed finance model of housing association investment provided an upfront capital grant wherein a private loan met the remaining development costs and the rent set for the property paid the loan repayments as well as other running costs and a sinking fund contribution for long term repairs. Thus, the number of new homes built this way depended on the overall programme size, the average grant rate and the willingness of banks to lend into such a system.

what form should be allocated to meet policy goals such as provision of non-market housing, supporting access to home ownership or helping low income households meet their housing costs. It is also a manifestation of other ideological positions re the state and the market, the position of the individual relative to more collectivist or solidarity based responses. Issues such as homelessness, council house sales, the deregulation of private renting and housing stock transfer (in part) would occupy this territory. Of course the two are connected: the political desire to cut public spending and the size of the state both in the 1980s and in the present decade disproportionately affected housing because it was a target for deep capital spending cuts (and latterly in welfare benefits too).

In Scotland, the current Scottish Government formally and publically prioritises housing policy and welfare benefits within a context of anti-poverty programmes as well as promoting the economic case for further housing investment. This is in a context of austerity and the longer-term examination of investment in non-market housing over time which indicates the difficulty in sustaining desired programme outcomes (discussed further below).

There is a strategy for housing in Scotland and this area of Government has been articulated within the wider Government National Performance framework complete with a set of outcome performance indicators⁵. Housing as a policy area therefore is part of the so-called *Scottish approach* to public policy, itself closely related to the Christie Principles that seek to reform public policy delivery in terms of minimising duplication and increasing efficiency, partnership and co-production, a decisive shift to prevention, promoting an assets-based approach, and, a greater focus on reducing inequality. There is also an important spatial articulation of these ideas with much public policy being delivered by local community planning partnerships with a growing integration emphasis on *whole place* policies. The housing sector should of course be a leading player in these processes but it evident that it is not always foregrounded compared to other policy partners like, health, care, social work and police.

Prior to devolution housing policy was administratively devolved which meant the Scottish Office pursued similar policies to Whitehall but with different flavours: varying grant rates and Right to Buy discounts and operating with different governance arrangements such as the pivotal role of Scottish Homes which combined regulation and funding (and the stock transfer, in small 'packages', of its housing stock inherited from the Scottish Special Housing Association). Key strands – growing home ownership, deregulating private renting and shifting nonmarket resources away from councils to housing associations remained. Scotland through the 1980s and first half of the 1990s was equally happy to allow HB to 'take the strain' of higher rents⁶.

Devolution in 1999 created a responsible cabinet minister and a junior housing minister (though the precise titles and competencies varied over time). Housing policy was a leading area for early legislation allowing divergence from the rest of the UK. In particular the 2001 Housing Act (reforming the Right to Buy and facilitating large scale stock transfers such as in Glasgow) and the path-breaking 2003 homelessness legislation set a distinctive tone. Equally important the Scottish housing policy did not pursue specific English policies such as rent

⁵ <http://www.scotland.gov.uk/About/Performance/scotPerforms>

⁶ A key feature of Housing Benefit in the social sector is that if household income and circumstances do not change, rising rents can be met in full by HB from the DWP budget. It is also the case that for households eligible for Income support, rents can be met in full by HB. This is the direct result of the interaction between HB and Income Support which was designed originally to maintain a minimum level of post housing cost income and removed any general housing element from cash benefits.

restructuring, arms-length management organisations or the expectation of choice-based lettings (CBL) though several did embrace CBL voluntarily. Arguably, this divergence under Labour paved the way for a stronger different path after the SNP victories after the elections of 2007 and especially after 2011 (and as a result of the Coalition victory in the UK in 2010).

A lot of the period since 1999 was really concerned with just two or three major issues: the Glasgow stock transfer and the subsequent choppy waters navigated by the Glasgow Housing Association (now part of the Wheatley Group), the progress towards the full implementation of the 2003 homelessness legislation and, since 2008, the impact of the economic crisis and housing policy responses that followed after the major housing-related spending cuts that took place on capital and welfare benefits. There also been much work refashioning institutions, converting Scottish Homes into Communities Scotland, which was subsequently integrated into Government while a separate Scottish Housing Regulator was established. At the same time Glasgow and Edinburgh councils received the transfer of control and allocation of housing capital spending budgets.

Key policy divergence included the abolition of the Right to Buy, first for new build and then legislated in 2014, for all sales. Stopping sales on new homes opened the door for councils to resume building social housing and indeed subsequently the Scottish Government made a grant available to support this shift. In the period since 2007-8 there have been further financing innovations aimed at expanding social and affordable supply (discussed in the next section) and Scotland was in the vanguard of experimenting with loan guarantees. At the same time Scotland looked to expand the planning obligations model (Section 106 agreements in England) that had delivered so many thousands of units in England over the decade up to the economic crisis. However, the timing meant that the hopes for Section 75 agreements (the section of the appropriate Scottish Planning law) were not realised since the programme depends on private sales. In the current market recovery, much remains pinned on this model, even though it has its problems (Newhaven, 2008).

Housing policy in Scotland is generally viewed as devolved and clearly in terms of rented housing policy, homelessness, investment and regulation, it is substantially devolved. Moreover, there has been significant divergence and this is accelerating because of contemporary initiatives like the replacement of Stamp Duty Land Tax with a Scottish Land Transactions Buildings, plans to review council tax and the different funding of mitigation of the bedroom tax. But, at the same time, there are important reserved elements to housing policy: welfare benefits remain essentially reserved (subject to the outcome of the Smith Commission discussed below); much housing taxation remains reserved e.g. the treatment of income tax, tax reliefs and capital gains tax in the private sector), the mortgage market is reserved in terms of its regulation and policy development; and, the rules by which public spending rules, the so-called fiscal framework that decides the resource envelope that the Scottish Government can use, is circumscribed by HM Treasury. These are important caveats (this argument is expanded in Author, 2012).

4. Responding to Crisis

As was indicated earlier, an important element of devolution is choosing not to follow UK or English policy development. After the 2010 General Election, there were disproportionately deep cuts to Communities and Local Government effectively ending the housing association grant-funded programme. This was then replaced with the Affordable Rent Programme which cut grant down to historically low levels premised on significantly higher rents of up to 85%

of the local private renting benchmark for local housing allowance purposes (in practice a lower proportion was used in higher demand areas such as London). However, the financial model only stacked up if further vacant properties owned by the developing landlord were switched in to this higher rent regime (known as revenue subsidy). Thus, for each new unit built under the scheme, on average four would be at this new higher rent arrangement (Young, et al, 2012). This has significantly blurred the distinction between social and affordable housing south of the border. Meanwhile council house building in England has long been inhibited both by capital borrowing ceilings imposed from the centre and the continuing Right to Buy.

The Scottish Government rejected this approach. Initially based on seeking to save jobs and capacity in the construction industry in recession but increasingly to alleviate unmet housing need, they constructed a strategy to maintain (admittedly lower than before the crisis) levels of social and affordable housing investment. The policy went through several discernible phases:

- Confronting the large capital cut in housing spend (initially of the order of 33% for the spending review period though it later was given additional funds bringing the net cut to more like the average across the board cut of 25%)⁷ by accelerating public spending i.e. taking funds from year three and spending it earlier. This actually led to short run increases in grant rates and forward funding of sites to allow associations to develop social housing.
- There was then a one year programme – the innovation and investment fund - which encouraged competitive bidders to do new things with lower rates of grant usually through partnerships between non-profit providers and the private sector. Grant rates were cut back to a maximum of £40,000 per unit and this led to relatively more affordable programmes involving mid-market rents⁸ and low cost home ownership.
- As the result of a protracted strategic analysis the incoming 2011 Government pursued a five year plan to build 30,000 social and affordable units (the Affordable Housing supply), with 2/3 social rented (association and council) and 1/3 affordable (largely home ownership schemes but also mid-market rent). So far, as Table 3 indicates, the target completion levels have been met in each of the first three years of the current Parliament – though grant per unit has had to increase sharply in a world where private finance remains thin for non-profit housing. There is also recognition (e.g. Audit Scotland, 2013) that 6,000 units of affordable supply are probably insufficient to meet annual levels of national housing need.
- Scotland bought strongly into the UK Help to Buy initiative in particular the equity loan model that allowed purchasers to buy new homes incorporating up to 20% equity stakes from the Scottish Government. These shared equity homes have made an important contribution to the affordable element of the affordable programme new build target.

Table 3 Affordable new supply about here

The other distinctive feature of this era of Scottish housing policy has been experimentation. Housing minister Alex Neil stated (to paraphrase) that the Government was interested in ‘anything that worked’ in terms of providing new sources of long term finance or models that

⁷ The Barnett Consequentials are symmetrical: transferring cuts to the Scottish Block as well as increases in ‘good times’.

⁸ A group of policies with different subsidy mechanisms promoting new supply of affordable rented properties with sub market rents but higher than social housing, aimed at working households who cannot afford home ownership but also do not qualify for social housing.

would allow more non-market supply to be forthcoming and that, critically, still remained within the HB rules in terms of rent levels and eligibility (Scottish Government, 2010). In practice, (and in addition to housing association mixed funding new build) new routes meant:

- Grant-funded council housing where council did not face external but rather prudential borrowing and debt limits
- Non-PFI joint ventures set up by the Scottish Futures Trust using state backed guarantees to de-risk council investment in partnerships with private developers to build and manage short life mid-market rented housing from stalled sites. This counter-cyclical model called a National Housing Trust was set up long in advance of the UK Government's conversion to loan guarantees for housing.
- Private sector initiatives that used charitable rules and/or state-baked contingent support to encourage new affordable supply. One model, the Retties Resonance partnership between the private developer and housing associations, helped underwrite the association investment while developing affordable rent properties, a minority of which the housing association would own in perpetuity.

The other dimension to all of this was welfare reform. As early as the 2011 Scottish Election, the SNP signalled in their manifesto their intention to devolve HB, specifically to end the bedroom tax proposals. When it was introduced across the UK in April 2013, the Scottish Government stepped up the use of Discretionary Housing Payments (DHP) from DWP with the maximum allowed additional Scottish Government funded assistance (later loosened by DWP). This meant that in theory all of the HB shortfall associated with the bedroom tax reduction to HB could, if so administered by local authorities, be met in full. This of course also meant that DHP could not be used to help out others affected by welfare reform (such as those adversely affected in the private rented sector). But, undoubtedly, the cause celebre of the bedroom tax became a key part of a wider anti-poverty narrative also involving changes to disability benefits and the growing incidence of food banks. These strands featured prominently the referendum.

5. Housing, Housing Benefit and Further Devolution

While it is the case that there are imminent changes to sales taxes in Scotland and longer term scope for the reform of council tax, the main housing issue concerning the Smith Commission was the future of Housing Benefit. Welfare reform has potentially huge implications for housing and the political opposition to it was widely believed to have secured scope for considerable devolution of benefits to Scotland as part of the post referendum *vow* made by the unionist party leaders on the front page of the *Daily Record* on September 16 2014.

The housing issue stems not just from the bedroom tax but the longer term consequence of implementing Universal Credit – which would roll HB into the single payment and, critically, would end the direct payment of HB to landlords. Social landlords, and lenders, have come to depend on this approach, one that bypasses eligible tenants and eliminates the risk of non-payment and arrears. Moving to the UC and thereby greatly increasing risk and financial losses as well as huge concern over the financial exclusion and debt implications for tenants – is actually a much more significant issue quantitatively and in terms of wider implications than the bedroom tax (Gibb, 2013).

However, devolving HB and/or taking control of the key working age benefits at a Scottish level is no panacea. First of all, HB is in many respects fundamentally flawed in terms of its design. Simply devolving it on its own will do little good for the longer term (Gibb and

Stephens, 2012). Moreover, seeking to deliver a more progressive scheme will have to be paid for at the margin in full from the Scottish Block, so devolving more benefits or accessing more devolved taxes, may assist but the opportunity cost and difficult political choices remain. Third, there is the small matter of how one actually develops the policy and infrastructure to run devolved social security policies and in particular makes a full inventory of the interdependence of various reserved and devolved benefits and their interaction. These deep waters have tended to be ignored in the rush to devolve (evidence session to WRC, November 2014).

There has also been a parallel argument supporting HB devolution (Cooke and Davis, 2014). The argument is that because housing policy is devolved then where possible its funding should be too. On the basis that HB is relatively stable, IPPR and Scottish Labour and the Lib Dems also argued that HB devolution made sense. This is also a supporting argument that strengthens the bedroom tax prevention argument. Two points should be made at this juncture, however: first, HB is not that stable (much of its recent growth comes from the volatile private rented sector) and for reasons already stated it is not quite true that housing is completely devolved; second, there remains a reasonable likelihood that the bedroom tax will not last long beyond the UK General Election, so is much effort being expended in Scotland and in the Smith Commission when it may not actually be required?⁹

The Smith Commission published their proposals at the end of November 2014 after an incredibly short period of political debate and evidence gathering. According to media reports, there was late work by DWP and the UK Government to dilute more radical proposals on welfare¹⁰. For Housing Benefit and Universal Credit they actually proposed:

- Carrying on with Universal Credit with minor administrative devolution (paragraph 44) to the frequency and organisation of payment (i.e. what constitutes a household for the purposes of bill receipt)
- Giving the Scottish Parliament powers over varying the housing costs element within UC, including ending the bedroom tax element but also the local housing allowance, eligible rents and non-dependent deductions (paragraph 45)
- Retaining direct payments from HB to landlords (paragraph 44)
- Additional programme and administrative costs that arise from the above will be met by the Scottish Government (paragraph 47)
- Discretionary Housing Payments will be devolved (and added to the Block Grant at its present level)
- The ability to top-up benefits, provide discretionary assistance and introduce new benefits in areas that have been devolved to the Scottish Parliament.
- Additional borrowing powers for Scotland were also agreed to both help iron out possible future budgetary instability on the light of greater reliance on tax receipts than before (via the devolution of income tax, the assignment of half of VAT and air passenger duty – all of which reduce the Scottish Block by an equivalent amount) but also to allow for more borrowing for investment – though this will continue to reside within the UK fiscal framework (and hence its impact on housing investment remains unclear).

At the time of writing it is far from clear how this will operate e.g. how housing costs will be detached from the Universal Credit once it is introduced, or indeed quite how the housing cost

⁹ Only the Conservatives still support a policy chiefly associated with one or two specific ministers, and support is far from unanimous given previous voting records by MPs and antipathy among Scottish Conservatives, for example.

¹⁰ See the Herald, 30 November 2014: <http://www.heraldscotland.com/politics/scottish-politics/revealed-the-devolution-powers-shelved-at-the-last-minute-from-smith-comm.25999250>

element will operate in Scotland. From a housing policy perspective, the proposal not to end direct payments is important for arrears and gives lenders comfort. But the broader point is that the hybrid devolved-reserved nature of housing policy to a considerable extent remains. However, it remains highly likely that the Scottish Government will now have a strong financial interest in rent levels in a way they have not had before – as it would appear that excessive rent increases could easily translate into higher than expected Housing Benefit bills and these will be paid for in Scotland rather than by UK taxpayers. If so, affordability will become a more central facet of housing policy and this, as was case a decade ago in England, may impede non-profit housing provider business plans.

It is worth reiterating that there remains considerable uncertainty over the Smith proposals. This is true in terms of when, how and to what extent the new powers will be delivered, given the outcome of the 2015 general election. Second, as is indicated above there is ambiguity in the fine print particularly with respect to the questions of welfare benefits and borrowing. Third, the outcome is also in part the result of the delivery of other non-constitutional issues in particular whether the troubled Universal Credit can be delivered in its current form; it too might be subject to change as a result of the general election.

6. Conclusions

The housing sector has been a prominent part of the devolution story in Scotland. It has been an engine of policy innovation and has demonstrated processes of convergence and increasingly divergence as time has worn on. However, it remains the case that important elements of the policy framework and indeed context remain reserved or UK in focus. The Referendum did not deal directly with housing but did so indirectly through the focus on welfare benefits, inequality and poverty. The Smith Commission has proposed a number of significant changes to welfare benefits which would soften the introduction of Universal Credit and would open the door to varying Housing Benefit in a number of important ways, paid for out of the Scottish Block but offering a route to abolish the bedroom tax.

Scotland has made important strides in housing in international terms, not least through its radical and comprehensive approach to homelessness, now fully operational. But significant housing problems remain: affordability, long waiting lists for social housing, and below trend social and private new housing supply – to name three areas of concern.

Recently, the RICS Commission *Building a Better Scotland* made a number of recommendations to support the housing sector (RICS Scotland, 2014). These included proposals for a national land delivery agency, several new communities, a national housing observatory, a substantial increase in effective land supply across Scotland and active promotion of private renting. It also called for a greater prominence for housing in the Scottish Parliament and at Cabinet. This is equally relevant at local authority level, where housing does not necessarily sit at the corporate table or consistently play a leadership or sufficiently strong partnership role in community planning partnerships or in important local place-based policies such as the integration of health and social care budgets.

Housing can also learn from important developments underway in Scottish public policy. Embedded in the model is integration across sectors, partnership working, a focus on outcomes, and the turn toward prevention. The latter is of course also about preventative spending on the causes of social ills rather than their symptoms. This implies a less deficit-based focus which is quite unknown to housing planning (which is need-focused). However, at

a recent strategic forum in Edinburgh (*The Scottish Housing Event*, Murrayfield, November 18 2014), a key conclusion was that the housing sector had to learn urgently from the emerging economics of prevention and other spending areas' analysis of preventative spending, such as in health care. Prevention aims have often been difficult to achieve in practice and savings hard to realise. Housing is a system affected by both external forces and reserved policies that can only be imperfectly filtered at best at the Scottish level. Nonetheless, prevention's potential role in housing is definitely of considerable sector interest and rightly so. Progress will, however, require convincing evidence and practical ideas that can appeal to housing professionals.

A final housing policy conclusion, paradoxically, concerns learning lessons from the English experience post-devolution. A key element of the New Labour approach to social housing was to develop long term policies with lengthy transitions reflecting the cost of moving to the desired outcome. This applied to rent restructuring in social housing in particular and rested on assumptions that a consensus existed which could be sustained after the governing party were no longer around. Arguably, it was precisely this strong political and professional consensus that underpinned the Scottish homelessness reforms and allowed it to be phased in over ten (or more) years. Housing is fundamentally long term and policy has to be future-proofed as far as is possible. Otherwise, there will be repeated self-defeating swings between policy stances that serve no-one let alone those who they are targeted at. Yet, there remains remarkably little appetite to look at these things seriously and coolly with the aim of building the sort of coalition and agreement that can allow long term housing reform and where the vulnerable are protected from transition.

7. References

Audit Scotland (2013) *Housing in Scotland*. Audit Scotland: Edinburgh.

Author (2012) 'Is Scottish housing policy diverging from policy in England? The complexity of devolution in practice.' *Housing Finance International*, Vol 26 (4), pp. 21-26.

Christie Commission (2011) *Commission on the Future Delivery of Public Services*. Scottish Government: Edinburgh.

Communities ASD (2014) *Scottish Housing Event Themes and Housing and Regeneration Outcomes: Supporting Evidence* Scottish Government: Edinburgh

Cooke, G and Davis, B (2014) *Benefits to Bricks: Mobilising local leadership to build homes and control benefit bills*. IPPR: London

Expert Working Group on Welfare (2014) *Rethinking Welfare: Fair, Personal, Simple (2nd Report)*. APS Group Scotland: Edinburgh

Gibb, K (2013) *The Bedroom Tax in Scotland*. Report to the Welfare Reform Committee, Scottish Parliament: Edinburgh.

Gibb, K and Stephens, M (2012) *Devolving Housing Benefit in Scotland*. Chartered Institute of Housing (Scotland): Edinburgh.

Knoll, K, Schularick, M and Steger, T (2014) *Home Prices since 1870: No Price like Home*. VOX CEPR Policy Portal: <http://voxeu.org/article/home-prices-1870>

Lyons Housing Review (2014) *Mobilising across the Nation to Build the Housing our Children Need*.

Newhaven Research (2008) *All Pain and No Gain? Delivering Affordable Housing through the Planning System*. Chartered Institute of Housing: Edinburgh.

O'Sullivan, A, Young, G, Brittain, A, Dowie, A, Gibb, K, MacLennan, D and McLaren, J (2004) *Local Housing Systems Analysis: Good Practice Guide*. Communities Scotland: Edinburgh.

Pawson, H and Wilcox (2013) *UK Housing Review 2013*. Chartered Institute of Housing: Coventry.

RICS Scotland Commission (2014) *Building a Better Scotland*. RICS: Edinburgh.

Scottish Government (2010) *Housing: Fresh Thinking, New Ideas*. Scottish Government: Edinburgh.

Shelter Commission on Housing and Well-Being (2013) Commission Website: <http://www.housingandwellbeing.org/>

Schuck, P (2014) *Why Government Fails So Often*. Princeton University Press: Princeton and Oxford.

The Smith Commission (2014) *Report of the Smith Commission for Further Devolution of Powers to the Scottish Parliament*.

Stephens, M., Whitehead, C and M, Munro, (2006) *English Housing Policy: Lessons from the Past, Challenges for the Future of Housing Policy. An Evaluation of English Housing Policy 1975-2000*. ODPM: London.

Stephens, M, Gibb, K and Blenkinsopp, J (forthcoming) *What Would a Better Housing Benefit System look like for Scotland?* Shelter Scotland: Edinburgh.

Welfare Reform Committee Scottish Parliament (2014) Evidence Session November 2014 on Smith Commission Further Devolution Powers:
http://www.scottish.parliament.uk/S4_Welfare_Reform_Committee/Minutes/Welfare_Reform_Committee_Minutes_11_November_2014_.pdf

Wilcox, S and Perry, J (2014) *UK Housing Review 2014*. Chartered Institute of Housing: Coventry.

Young, G, Orr, A, Gibb, K, Wilcox, S and Redmond, D (2013) *Review of Social Rent-setting in Northern Ireland*. Northern Ireland Housing Executive/Department of Social Development: Belfast.

Table 1 Social Housing Investment, 2000-01 to 2012-13

| | 2000-1 | 2001-2 | 2002-3 | 2003-4 | 2004-5 | 2005-6 | 2006-7 | 2007-8 | 2008-9 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|---------|---------|
| Housing Association Investment (1) | 297 | 312 | 285 | 366 | 401 | 583 | 751 | 797 | 735 | 904 | 616 | 466 | 314 |
| Scottish housing investment (cash) (2) | 640 | 672 | 697 | 629 | 733 | 894 | 1062 | 1045 | 996 | 1117 | 1002 | 952 | 903 |
| Scottish Housing Investment net (real) (3) | 851 | 871 | 883 | 781 | 886 | 1062 | 1225 | 1177 | 1090 | 1190 | 1040 | 966 | 903 |

Source: Wilcox and Perry, 2014, Tables 80 and 83

Notes:

- (1) Housing association investment programme including private finance
- (2) Total social housing investment programme (council, new town and housing associations) in cash terms
- (3) Same as (2) but in real terms (2012-13 prices deflated by GDP deflator)

Table 2: HB Expenditure, Scotland, real terms (2014-15 prices), 2003-04 to 2014-15, £m rounded

| Year | LA rent rebates | Registered Landlords/PRS Allowances | Social Rent | Total |
|--------------------|-----------------|-------------------------------------|-------------|-------|
| 2003-04 | 694 | 786 | | 1480 |
| 2004-05 | 697 | 792 | | 1489 |
| 2005-06 | 692 | 801 | | 1493 |
| 2006-07 | 688 | 817 | | 1506 |
| 2007-08 | 670 | 842 | | 1512 |
| 2008-09 | 672 | 907 | | 1579 |
| 2009-10 | 701 | 1017 | | 1718 |
| 2010-11 | 714 | 1073 | | 1787 |
| 2011-12 | 709 | 1109 | | 1818 |
| 2012-13 | 717 | 1144 | | 1861 |
| 2013-14 (estimate) | 681 | 1115 | | 1796 |
| 2014-15 (forecast) | 678 | 1124 | | 1802 |

Source: DWP database (data provided/assembled by Duncan Gray at Shelter)

Note: 2014-15 prices using GDP Deflator forecast

Table 3 Scottish Affordable Supply Programme: 2007-08 to 2013-14, completions

| <i>Build Type</i> | <i>2007-8</i> | <i>2008-9</i> | <i>2009-10</i> | <i>2010-11</i> | <i>2011-12</i> | <i>2012-13</i> | <i>2013-14</i> |
|---------------------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|
| Social Rent | 4226 | 4662 | 5465 | 5836 | 5652 | 4274 | 4368 |
| Affordable Rent | 16 | 7 | 59 | 58 | 73 | 416 | 917 |
| Affordable Home Ownership | 1428 | 1558 | 2568 | 1337 | 1157 | 1319 | 1727 |
| Total | 5670 | 6221 | 8092 | 7231 | 6882 | 6009 | 7012 |

Source: Communities ASD, Scottish Government