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ENGLISH AND SCOTTISH SOCIAL HOUSING

DIFFERENCES BETWEEN THE TWO SYSTEMS

1. DIFFERENCES BETWEEN ENGLISH AND SCOTTISH SOCIAL HOUSING SYSTEMS

- 1.1 The structure and risk profile of the social housing sector in Scotland differs in a number of important respects from that in England. The key differences are set out below. Areas where special provisions exist for the Wheatley Group, compared to those likely to exist for English registered providers (“RPs”), are also highlighted.

2. CONSTITUTIONAL CONTEXT

- 2.1 Housing, including social housing, has been a matter devolved to the Scottish Government since 1999. Reflecting the political make-up of the Scottish Parliament, which is left-of-centre, social housing has consistently been a high political priority, and one which has spanned successive administrations, regardless of the parties involved.
- 2.2 Following the “No” vote to Scottish independence in the 2014 referendum, further powers for the devolved Scottish Parliament have been agreed between all the main political parties. These are contained in the new Scotland Bill, currently progressing through the UK parliament. One of the most important new powers is the ability for the Scottish Government to direct the continued payment of housing benefit directly from the Department of Work and Pensions, via local authorities, to housing associations. The Scottish Government has indicated that it intends to use this new power. This would mean Scottish housing associations would not be faced with the same risks from universal credit as their English counterparts.
- 2.3 In terms of the possibility of another independence referendum in future, it is a constitutional requirement that the UK Government would need to agree to this being held. The UK Government has indicated that it would not be prepared to make such an agreement.

3. SIGNIFICANT POLICY DIVERGENCE

- 3.1 In Scotland there is a high level of political and policy support for social housing. The provisions of the UK Government Budget from June 2015 affecting English RPs do not affect Scottish housing associations. There are no government-imposed rent cuts and the Right-to-Buy has been abolished in Scotland. The key differences are summarised below:

	England	Scotland
Rent cut	1% rent cut imposed by central Government for next 4 years.	No rent cuts in Scotland – housing associations are free to set rents with no central government rent controls or caps and Scottish Ministers have confirmed that this will continue to be the case.
Right To Buy	Being extended to housing associations.	Abolished in Scotland.
Pay to stay	Tenants on higher incomes in England will be required to pay market rate, or near market rate, rents.	No pay-to-stay requirement in Scotland.
Universal Credit	Being rolled out and will include housing benefit. Introduces risk of individuals paying their rent for the first time and consequent risk of increase in arrears and bad debts.	Power being devolved to Scottish Government to continue payment of housing benefit straight to social landlords – mitigating the impact of Universal Credit.
Grant support for new build	Social housing not supported. S106 planning requirements for social housing being scrapped – reduced pipeline of schemes for social landlords.	New build grant levels significantly higher than England (benchmark £70,000 per unit) – with ongoing cross-party support for new affordable housing, e.g., SNP policy commitment to 50,000 new affordable homes 2016-21 if re-elected.
Bedroom tax	Applies in full – reduces housing benefit entitlement and increases payment/income risks to housing associations.	Bedroom tax effectively abolished in Scotland through Scottish Government subsidy, with devolution proposals likely to formalise this.
Regulatory context	Homes and Communities Agency as regulator, risk-based regulation with proposal for “deep dives” on selected providers. Powers to appoint administrator being removed and ceded to Courts.	A different regulator – the Scottish Housing Regulator, which is close to the smaller number of HAs and “has demonstrated a track record of intervening to support failing housing associations, whether through supervision, mergers, or arranging for additional grant” (S&P, June 2015). No deregulation measures being proposed, so Regulator retains power to appoint administrator.
Diversification model	Move to higher risk business areas such as build for sale housing and other property development activity.	More traditional, low risk business model based on government-backed revenue streams; minimal reliance on commercial income such as build for sale, or exposure to the care sector.

3.2 These differences are leading to some credit rating differential emerging, with Wheatley's credit rating outlook being upgraded by Standard & Poor's in June 2015, with English RP outlooks moving downwards in general.

3.3 Social housing is more prevalent in Scotland than England, comprising almost 24% of all Scottish housing stock¹, compared to 17% in England.² Scotland has a slightly lower rate of owner-occupation than England, just over 60% compared to 65%. The proportion of housing in the private rented sector is 12% in Scotland, compared to 17% in England.

3.4 This has been reflected in the nature of Scottish Government legislation on the issue, which has increasingly diverged from England in recent years. The Housing (Scotland) Act 2014, for example, abolished the Right to Buy in Scotland, at a time when it is being increasingly emphasised in England. Social Housing Providers continue to be legally identified as "Registered Social Landlords" (RSLs), rather than "Registered Providers", and Private Registered Providers are not legally permitted in Scotland as they are in England.

3.5 Scottish legislation has sought to mitigate the impact of UK Government welfare reforms on the RSL sector. The Scottish Government has allocated funding in recent years to cover the entire effect of the reduction in housing benefit for tenants judged to have spare bedrooms (sometimes referred to as the "bedroom tax").

With respect to new supply, the Scottish Government has delivered 30,000 affordable homes over the last five years, meeting its target. A Scottish Parliament election will be held in May 2016, and the current administration has set out a commitment to increase this to 50,000 affordable homes over the next five years. The Labour Party, the current main party of opposition,

Landlord	S&P Rating	Outlook
Notting Hill	AA	negative
L&Q	AA	negative
Sovereign	AA	negative
Richmond HP	AA	negative
Wheatley	AA-	positive
Aster	AA-	positive
BPHA	AA-	stable
Town and Country	AA-	stable
Thrive Homes	AA-	stable
Sanctuary	AA-	stable
Guinness	AA-	stable
EMH	AA-	stable
Cross Keys	AA-	stable
Chelmer	AA-	stable
Boston Mayflower	AA-	stable
Swan	AA-	stable
Colne	AA-	stable
Apex	A+	stable
Home Group	A+	negative

¹ <http://www.scotland.gov.uk/Topics/Statistics/Browse/Housing-Regeneration/HSfS/KeyInfoTables> 23.8% of housing stock in Scotland is socially rented. Of this 11.1% are rented by Registered Social Landlords and 12.7% by Local Authorities.

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/211288/EHS_Headline_Report_2011-2012.pdf

has stated a target of 60,000. This differs markedly from the English policy approach, where all Government grant support has been redirected from social housing, principally to support first-time buyers and shared ownership.

- 3.6 As a result of the divergent policy approach in Scotland, grant levels are significantly higher than in England. Whereas in England grant rates were typically less than £20,000 per unit, and have now dropped to nil in most cases, in Scotland the rates for social rented housing have been increased to £70,000 per unit on average.
- 3.7 In Scotland, there is some policy focus on provision of “mid-market rent” housing, which is similar to the English affordable rent regime. Under mid-market rental, subsidy rates are lower and rents can be higher than social rent level, on a case by case basis dependent on local markets. However, this form of tenure is limited to no more than one-third of Scottish Government subsidy over the period to the Scottish elections in May 2016.
- 3.8 In Scotland RSLs are not permitted to issue Short Assured Tenancy agreements so market rent and mid-market rent activities are carried out by a separate commercial vehicle.

4. LESS EMPHASIS ON COMMERCIAL ACTIVITY TO COMPENSATE FOR REDUCING GRANT LEVELS

- 4.1 As a consequence of continuing and significantly higher grant levels for new supply, Scottish RSLs do not face the same pressures as English RPs in relation to diversification of income sources. Private sale or rental housing represents a minimal part of RSL activity in Scotland; statistics from the SHR show that around 2% of RSL assets at 31.03.13 were not social rented properties.

5. SIGNIFICANTLY GREATER REVENUE FLEXIBILITY – NO RENT REGULATION, NO RENT CUT

- 5.1 Unlike England, there is no system of rent regulation in Scotland. RSLs are free to set rents as they wish, qualified only by obligations in the scope of the Scottish Social Housing Charter and Housing Act (Scotland) 2001 which require RSLs to consult tenants and have regard to their views when setting rents and service charges. The 1% rent cut being applied in England for at least four years does not apply in Scotland.

6. REGULATORY FRAMEWORK FOR RESOLUTION OF SITUATIONS OF LANDLORD FINANCIAL DISTRESS

- 6.1 The regulatory framework has significant powers in making interventions to RSLs who are experiencing financial distress. It is one of the functions of the Scottish Housing Regulator (SHR), an independent body established in 2011, to make early regulatory interventions, where appropriate, relating to the financial and governance performance of RSLs. The Regulator has substantial powers of enforcement which, despite its short history, it has a track record of using. These powers range from the requirement for landlords under scrutiny to produce an improvement plan to the appointment of a manager to manage financial or other affairs. SHR also has the power to remove and/or appoint Board and staff member as appropriate.
- 6.2 The current UK Government proposals to introduce a special administration regime, where the Courts rather than Government would appoint a potential administrator, do not apply to Scotland. The Office of National Statistics (“ONS”) decision to reclassify housing associations as part of the public sector only applies to England. The ONS has no stated plans, based on its published forward workplan to 2018, to review the classification of Scottish housing associations (which might in turn prompt any changes to how an administrator might be appointed and their duties thereupon in Scotland). The relatively small size of the Scottish housing association sector means that any impact on the UK national debt may be below the materiality thresholds to merit ONS review.

7. SCOTTISH HOUSING QUALITY STANDARD

- 7.1 The Decent Homes standard does not apply in Scotland. Instead, the Scottish Housing Quality Standard sets minimum specifications for social housing properties. Both RSLs and local authorities (the only forms of social landlord in Scotland) must achieve the SHQS by March 2015. Thereafter, an Energy Efficiency Standard for Housing (“EESH”) will need to be met by housing associations by 2020.

8. STRATEGIC HOUSING INVESTMENT PLANS

- 8.1 A Strategic Housing Investment Plan or SHIP is a plan which all 32 Scottish local authorities are required to submit annually to the Scottish Government. The key purpose of the SHIP is to:

- Set out key investment priorities for affordable housing
- Demonstrate how the priorities will be delivered
- Identify the resources required for delivery
- Enable the involvement of key partners.

9. HOMELESS LEGISLATION

- 9.1 The Homelessness (Scotland) Act 2003 established the target for all unintentionally homeless people in Scotland to have the right to a permanent home. RSLs play an important role in meeting that target, both through work to prevent homelessness and in housing homeless households. Section 5 of the Act gave housing associations a duty to accept homelessness referrals from local authorities in particular circumstances.

10. CARE REGULATION

- 10.1 The Care Inspectorate is the independent regulator of social care and social work services across Scotland. The Care Inspectorate regulates a range of care services, undertakes strategic inspections of local authorities social work departments and is also responsible for the scrutiny of children service as set out in the Public Services Reform (Scotland) Act 2010. It inspects and grades care services with respect to the quality of care, environment, staffing, management and leadership.
- 10.2 The Care Inspectorate's regulatory and scrutiny functions ensure that:
- Vulnerable people are safe
 - The quality of these services improves
 - People know the standards they have a right to expect
 - They can report publicly on the quality of these services across Scotland
 - They can support and encourage the development of better ways of delivering these services.
- 10.3 In discharging its regulatory and scrutiny functions the Care Inspectorate works in partnership with various stakeholders such as Education Scotland, COSLA, Scottish Care, and the Scottish Social Services Council (SSSC) for example.

11. WHEATLEY-SPECIFIC FACTORS

- 11.1 GHA pension liabilities are subject to a Glasgow City Council guarantee. As part of the transfer of social housing from Glasgow City Council to GHA in 2003, the City Council provided a guarantee over all future GHA pension liabilities to the Strathclyde Pension Fund (part of the Local Government Pension Scheme).
- 11.2 GHA has a role as an “equal partner” in public policy delivery. Glasgow's Single Outcome Agreement (SOA) is an agreement between Glasgow Community Planning Partnership (GCPP) and the Scottish Government which sets out the joint priority policy outcomes for Glasgow, and how the GCPP will work towards achieving them over a period of 10 years.
- 11.3 Glasgow's Community Planning partners have therefore in effect contracted with the Scottish Government to plan, resource and deliver services together with local communities.
- 11.4 The Partnership is made up of a number of key public, private and community organisations with a Glasgow-wide responsibility or interest. Many of the organisations are required by law to participate in community planning and each one is represented at the highest executive level. The Glasgow Community Planning Partnership Strategic Board consists of the following organisations:
- Glasgow City Council
 - **Glasgow Housing Association**
 - NHS Greater Glasgow & Clyde
 - Scottish Fire & Rescue
 - Police Scotland
 - Glasgow Chamber of Commerce
 - Glasgow's Third Sector Forum
- 11.5 In 2011, the Community Planning Partnership agreed a “One Glasgow” approach; a Total Place approach to budget planning and financial challenges based on pooling resources, focusing on specific shared priorities, eliminating duplication, and creating efficiencies. Examples of this work in practice include GHA’s work with the bodies above to jointly resource work on youth unemployment and alcohol misuse.

12. RELATIONSHIPS WITH GLASGOW CITY COUNCIL AND CITY OF EDINBURGH COUNCIL

- 12.1 Wheatley has strong bilateral relationships with both of the largest local authorities in Scotland. GHA is identified in GCC's SHIP as a key partner in relation to new build affordable housing and urban renewal through the Transformational Regeneration Programme. In Edinburgh, the same situation exists in relation to our subsidiary Dunedin Canmore.
- 12.2 Glasgow and Edinburgh Councils administer grant funding for new build to RSLs (other than those in Wheatley, which are funded directly from Scottish Government) through an arrangement known as "Transfer of the Management of Development Funding" (TMDF) from Scottish Government. This arrangement only exists in Glasgow and Edinburgh council areas, but gives these councils discretion to manage funding allocations to RSLs within certain parameters. Outwith Glasgow and Edinburgh, new build grant is administered directly by the Scottish Government in conjunction with local authorities.