AGENDA

21st Meeting, 2002 (Session 1)

Tuesday 5th November 2002

The Committee will meet at 10.00am in the Chamber, Assembly Hall, The Mound, Edinburgh to consider the following agenda items:

1. **Lines of Questioning (in private):** The Committee will consider lines of questioning for agenda items 2, 3, 4 and 5.

2. **Budget Process 2003-04:** The Committee will take evidence at Stage 2 of the Budget Process 2003-04 from—

   Iain McMillan, Director, CBI Scotland;

   Peter Wood, Head of Public Policy, DTZ Pieda Consulting.

3. **Budget Process 2003-04:** The Committee will take evidence at Stage 2 of the Budget Process 2003-04 from—

   Alan Fraser, Head of 21st Century Government Unit, Scottish Executive;

   Jim Kinney, Head of Local Government Implementation Team, 21st Century Government Unit, Scottish Executive.

4. **Homelessness etc. (Scotland) Bill:** The Committee will take evidence on the Financial Memorandum of the Bill from—

   Mark Turley, Head of Housing, City of Edinburgh Council;

   Alan McKeown, Housing Development Officer, CoSLA;

   Pat Bagot, Policy and Practice Manager, Communities Scotland;

   David Orr, Chief Executive, Scottish Federation of Housing Associations;

   David Bookbinder, Policy Officer, Scottish Federation of Housing Associations.
5. **Homelessness etc. (Scotland) Bill**: The Committee will take further evidence on the Financial Memorandum of the Bill from—

   Lindsay Manson, Homelessness Team Leader, Scottish Executive;

   Isabel Drummond-Murray, Team Policy Officer, Homelessness Team, Scottish Executive;

   Anna Donald, Team Policy Officer, Homelessness Team, Scottish Executive.

6. **Mental Health (Scotland) Bill (in private)**: The Committee will consider a draft report.

   David McGill
   Clerk to the Committee
The papers for this meeting are:

**Agenda item 1**

Paper from Ian Doig, Adviser on Financial Memoranda

**Agenda item 2**

Paper from Professor Arthur Midwinter, Budget Adviser

**Agenda item 3**

Paper from SPICe

**Agenda item 4**

Homelessness etc. (Scotland) Bill

Explanatory Notes

Policy Memorandum

Submission from Shelter

Submission from South Lanarkshire Council

Submission from Highland Council

Submission from Chartered Institute of Housing in Scotland

**Agenda item 6**

Paper from the adviser
FINANCE COMMITTEE : REPORT ON DRAFT BUDGET FOR
SCOTLAND 2003-4

Introduction

1. This report highlights the key issues in the Draft Budget which members need to consider. In his introduction, the Minister for Finance and Public Services states that this report forms – “the basis for an improved framework of financial and performance management”, and sets out “high level aims, objectives, targets and milestones” for monitoring performance.

2. When *Building a Better Scotland* was published, I described these comments as “more aspirational than real”. It is therefore fair to record my view that this report marks a significant improvement in financial management information, providing the most coherent and systematic treatment of the budget I have seen since devolution, and responding to the spirit of the Committee’s recommendations in recent years. The Committee should welcome the progress made.

New Budget Totals

3. The report shows the impact of the UK Spending Review on the Scottish Budget over the SR2002 period. As the report notes, this document is in RAB terms, so the figures cannot be directly compared with the AER. However, we can get an indication of the rate of change by comparing percentage increases in the two documents. In the AER, the planned increase for 2003-4 over the current budget was £1.2 billions or 5.6%. The Draft Budget delivers an increase of nearly £1.9 billions, or 9.0% in cash terms. This translates into a real terms increase of £1.3 billions or 6.3%, some £700m more than in the AER. By 2005-6, the current budget will have been increased by 14.4% in real terms, an average annual increase of 4.8%. This is broadly in line with the pattern since SR2000, and will result in the most sustained real growth in the Scottish Budget since before the IMF crisis of 1976. Members should note, however, that some of this increase is being funded by NDR Income, which is planned to increase by £340m or nearly 22% over the three year period, slightly more than the 19.6% increase in the local government budget but in line with the 23% growth in the Scottish Budget. (The local government increase in part reflects transfers of £61.3m from other portfolios).

4. This provides significant resources for service development over the SR period, with real increases of £1300m; £700m and £1000m respectively. The document reports that these are firm three year plans which will not be
reopened until SR2004, although in the past modest supplementary allocations have been made by the Chancellor between Spending Reviews. This has a number of implications for the Committee, including what to do about next year's process, given the parliamentary elections are due in May.

**Spending Priorities**

5. In its Stage 1 Report the Committee expressed concern that spending increases were only above average in two of the five spending priorities, with particular concern over education, crime and employment.

6. The Finance Minister argued that it was necessary to consider these matters in “cross-cutting” rather than “programme” terms, and the Committee responded that the information in the AER did not permit it to do so. It recommended that the Draft Budget should systematically illustrate how the additional funding this year will be spent, what outputs it will provide, and how these decisions will advance the Executive’s priorities.

7. The Draft Budget meets the spirit of that recommendation – although some new spending remains uncosted – there is more relevant information on objectives, budgets and outputs for the Subject Committees to consider, plus in each chapter, there is a section covering spending on the cross-cutting issues of closing the opportunity gap and sustainable development. Budget Scrutiny has been further helped by the recent publication of a corporate document by the Executive on the budget implications of Closing the Opportunity Gap, and it would be helpful to have a similar report on Sustainable Development.

8. However, the new allocations ease some of the concerns expressed in Stage 1, delivering a major increase in the justice budget of our 6% compared with a broadly standardised budget in the AER; the health budget is increasing by 10.5% compared with 6.5% in the AER; and the Enterprise, Lifelong Learning and Transport Budget is now growing by 8.5%, broadly in line with the average increase, compared with 4.9% in the AER. The transport budget was highlighted to the Committee by CBI Scotland in Stage 1, when the plans showed a real reduction in spending from 2003-4. The Draft Budget now includes spending on integrated transport, which was formerly in the local government budget. It appears that further growth has been added, as the Motorways and Trunk Roads Budget has been increased again by almost 10%. The overall increase in transport at 17% clearly reflects its priority. Members should clarify how much has been transferred from the local government budget with the Minister at the Skye meeting.
Transparency

9. As noted earlier, the Draft Budget provides a better information basis for parliamentary scrutiny. A few problems remain however. Whilst the material is better organised, it is still difficult to clearly distinguish baseline from new spending – in part because the budget can only be based on estimated cost increases. In addition, many of items of new spending remain uncosted. Overall, the revised format is consistent with the spirit of the Committee’s recommendations for costed options with outputs, but this can be progressed further.

10. Some budgets include both spending maintenance and spending growth in the same “what we will do with the money section”. For example, on p72 additional funding is seen as allowing the Scottish Ambulance Service to maintain and improve its activities. This may be because only short-term funding was available in the first instance, e.g. through EYF. The Committee could recommend that in future documents, the use of additional funding should be a discrete section of costed proposals with outputs.

11. The Committee also noted in Stage 1 the ongoing concerns of the health and local government committees over the lack of transparency in block allocations to boards and councils. Such problems remain. The health report notes simply that NHS Boards are expected to develop and improve services in line with declared priorities, whilst stating that it is not possible to identify how much is spent on priority problems such as coronary heart disease, cancer and mental health (pp 66/67). However the report then goes on to identify additional spending on such services. It is difficult to see why, however, the underlying assumptions over spending on the key programmes of health care - acute, maternity, community etc – cannot be published in this section as these assumptions form the basis of funding distribution through the Arbuthnott formula.

12. The same arguments pertain to the local government block, GAE figures are provided for Police and Fire in the Justice Chapter. If the figures were included for the other major spending programmes – education, social work and roads and transport – then LGC and the subject committees would have a better basis for assessing the adequacy of the allocations. The chapter records that spending will be used to modernise the teaching profession, provide free personal and nursing care, permit additional investment in police and fire and improve the quality of life. The department is seeking to agree joint priorities with COSLA. It does not provide specific sums in the budget document – yet has provided detailed financial assumptions from the Spending Review process to the Committee earlier. (See Annexes A and B from COSLA’s submission to Local Government Committee, 29 October
2002) It would have been helpful – particularly for public consultation – if this information had been included in the Draft Budget.

In my report on BABS I noted that the Committee needed details of the DEL and AME budgets, and these are now included. I also requested information on how the figures in the Parliamentary Statement were arrived at – and this has been explained to me by officials and a formal response will be forthcoming. We have now further information on the links between spending and outcomes. So considerable progress has been made with the issues raised in September.

13. The Committee needs to clarify what decisions were made over its spending recommendations in Figure 1 of the Stage 1 Report. (See Appendix) It is difficult to tell if there has been any recognition of committee priorities in the decisions, because of the way in which the budget data is presented. I would recommend therefore, that the Committee raises the issue of how the parliamentary recommendations on the budget were dealt with when it meets the Minister in Skye. Subject committees will have had specific responses, but for transparency, it would be beneficial to have a formal record in response to these recommendations as a set. FIA was keen to increase Parliament’s role and influence in the budget, and this is a key aspect of its deliberations.

14. Finally, the Committee should consider next year’s process. Normally, the AER is published in late March and discussed in April. This will not be possible because of the Election. If there is a new Executive, it will undoubtedly wish to rethink priorities in the 2004-5 Budget. There is therefore a case for producing a single document for budget deliberations after the Election – rather than the usual two-stage process.

Professor Arthur Midwinter
Adviser to the Finance Committee

31.10.02

Reference

### Table 1: Planned Budget Increases for 2003-4

<table>
<thead>
<tr>
<th>Service</th>
<th>AER</th>
<th>Draft Budget</th>
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<tbody>
<tr>
<td>1. Justice</td>
<td>+0.7</td>
<td>+4.2</td>
</tr>
<tr>
<td>2. COPFS</td>
<td>+1.6</td>
<td>+38.0</td>
</tr>
<tr>
<td>3. Education and YP</td>
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<td>+29.0</td>
</tr>
<tr>
<td>4. Tourism, Culture and Sport</td>
<td>+1.7</td>
<td>+5.0</td>
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<tr>
<td>5. Health and Community Care</td>
<td>+6.5</td>
<td>+10.5</td>
</tr>
<tr>
<td>6. Social Justice *</td>
<td>+11.7</td>
<td>+4.8</td>
</tr>
<tr>
<td>7. Enterprise, LLL and Transport</td>
<td>+4.9</td>
<td>+8.5</td>
</tr>
<tr>
<td>8. Environment and Rural Development</td>
<td>+6.5</td>
<td>+4.7</td>
</tr>
<tr>
<td>9. Finance and Public Services</td>
<td>+6.0</td>
<td>+9.0</td>
</tr>
<tr>
<td>10. Administration</td>
<td>+2.7</td>
<td>+2.5</td>
</tr>
<tr>
<td>11. Scottish Parliament and Audit Scotland</td>
<td>-3.0</td>
<td>+8.7</td>
</tr>
<tr>
<td>TOTAL</td>
<td>+6.3</td>
<td>+9.0</td>
</tr>
</tbody>
</table>

* Social Justice’s changed position probably reflects a RAB effect.
MODERNISING GOVERNMENT FUND
ELIZABETH DAVIES AND MURRAY MCVICAR

This Research Briefing outlines the development and current operation of the Modernising Government Fund. It discusses its origins within the 21st Century Government initiative and describes the operation of the Fund to date. The paper concludes by discussing the Invest to Save Budget in England.
KEY POINTS OF THIS BRIEFING

• The Modernising Government Fund is intended to support the 21st Century Government Initiative

• Its origins are in the UK-wide Capital Modernisation Fund and the Invest to Save Budget

• There have been two ‘rounds’ – known as MGF and MGF 2.

• In the first round, £26m was allocated to projects. £30 million has been budgeted for MGF2

• MGF projects should be partnership-based, innovative and of benefit to the service user

BACKGROUND

The growth of the welfare state in the last 150 years has made the ‘public sector’, broadly defined, a large and significant entity. Governments have sought to manage it in various ways, from seeking to control its size and scope to making it as efficient and effective as possible. The 1960s saw a policy emphasis on attempts to improve the structure and staffing of the public sector - such as those outlined in the Fulton Report on the civil service (Cm 3638, 1968). The Heath Government of the early 1970s also took a close interest in the structure of the government machine.

The 1980s and 1990s saw a multi-track approach, firstly through seeking to reduce the size of the public sector to that which was deemed necessary, and secondly to make that residual bureaucracy as efficient and effective as possible, through notions of ‘customer service’, ‘deregulation’ and ‘contract’. This approach was given expression through privatisation, the Efficiency Unit, ‘Next Steps’ executive agencies, and through initiatives such as the Citizen’s Charter.

The present UK Government has adapted some of these policy approaches of the past 30 years. A major statement on policy towards ‘the centre’ was announced by the Prime Minister in July 1998 (HC 317, 1998). The culmination of this approach came in the Modernising Government white paper of March 1999 (Cm 4310, 1999). The main thrust of the Modernising Government programme is set out in the summary to the white paper (Cabinet Office, 1999).

In post-devolutionary Scotland, the aims of this were made explicit by Jack McConnell, the then Finance Minister in 1999. He stated that:

• “21st century government will be about working in partnership – we have to create government that best serves the people of Scotland
• 21st century government will be about openness and accountability – devolution itself is part of a wider process of modernising the constitution ensuring that government is brought closer to the people and that decisions are made in an open and accountable forum
• 21st century government will be about inclusion – we want to ensure people are not just interested spectators but are directly involved through consultation and civic participation so that we can change lives for the better
• 21st century government will be about delivery – governments are judged on delivery and through the Programme for Government we have set out a series of specific, timed pledges aimed at materially improving the quality of life for individual Scots.” (Scottish Executive, 1999)

To achieve this, the Scottish Executive identified ‘4 challenges’:

• to encourage innovation and creativity in government
• to identify and remove blockages that prevent the public sector from being modern
• to encourage the sharing of knowledge
• to put the citizen at the centre

THE MODERNISING GOVERNMENT FUND

The Modernising Government Fund (MGF) is intended to take forward projects that contribute to the aims and objectives of the 21st Century Government initiative as described above and is intended to support the delivery of 3 commitments in ‘Working Together for Scotland’ to:

• join up service delivery across the public sector
• get all Government services online by 2005 where feasible
• drive innovation across the public sector

In addition to the Modernising Government agenda outlined above, the MGF has its origins in two UK wide initiatives aimed at improving public service delivery¹

• The Capital Modernisation Fund was announced in the Comprehensive Spending Review (CSR) White Paper (Cm 4011). This initiative was part of a drive to renew and modernise the UK’s public sector capital stock, through the funding of “innovative capital or PFI projects which improve key services or public infrastructure”.

• The Invest to Save Budget (ISB) was also launched following the CSR. The ISB was set up to encourage the development of projects that bring together two or more public service bodies to deliver services more efficiently.

MGF aims to support innovative projects that, if appropriate, implement new forms of service delivery and/or make inventive use of ICT. Projects apply for MGF funding (bidders include public sector bodies, including Scottish Executive Departments and

¹ Although the existence of a discrete 'Modernising Government Fund' is unique to Scotland
Agencies, health authorities and local government authorities) and funding is restricted to capital expenditure with awards representing up to 75% of the capital cost of each project. Bidders are required to provide all associated current expenditure from within their own resources. In evidence to the Finance Committee on 8 June 2001, Deputy Finance Minister, Peter Peacock, stated that the Executive has a ‘system in place’ to monitor the outcomes of this expenditure.

THE MECHANICS OF MGF

The initial MGF was administered as a challenge fund with a budget of £26m over a 2-year period (2000-01 and 2001-02). The budget was allocated to 32 successful projects, assessed against a set of criteria including:

- real service delivery benefits for citizens
- potential savings
- the degree of partnership involved
- the leverage of funding from other partners
- application of Best Value principles
- degree of innovation
- potential for wider application across the country

MGF resources are distributed through a two-stage bid funding process. There were four essential elements to a successful bid:

- That it is founded on a partnership
- That the concept is innovative
- That it would not otherwise be developed
- That it will deliver measurable benefits to service users and/or taxpayers

The Scottish Executive received 104 outline bids, of which 36 bids accounting for 32 projects\(^2\) were offered support from the Fund. In both 2000-01 and 2001-02, £13m was allocated to the fund, with an additional £30m investment from partners (29 of 32 projects involved partnerships). The main policy areas affected are local government, health, social work, education, rural affairs and social justice.

Funding was restricted to capital expenditure with awards representing up to 75% of the capital cost of each project, up to a maximum contribution of £2m. Bidders were required to provide all associated current expenditure from within their own resources.

 Funds awarded to successful projects are managed by the Scottish Executive and are allocated as ring-fenced additions to the Executive’s overall Departmental Expenditure Limit (DEL). In cases where a body other than the Scottish Executive is the lead partner in a successful project, the Executive will allocate funds to that body. Under End Year Flexibility arrangements, funds allocated in a particular financial year need not be spent in that year if the project does not run according to its original timetable.

\(^2\) [http://www.scotland.gov.uk/government/c21g/updates.asp](http://www.scotland.gov.uk/government/c21g/updates.asp)
Each project has an individual set of objectives, interim targets and outcomes. Monitoring and evaluation procedures are in place to ensure that final delivery can be achieved. Every project has an “accountable officer” and an agreed project plan. Three monthly progress reports are submitted to the Executive, which measure spending against profile and progress against agreed project milestones. Regular “Modernising Government” newsletters are published that summarise each project and progress made, lessons learned and examples of best practice which can be adopted by other parts of the public sector.

The Executive has claimed that MGF-funded projects have created the following outputs in the pilot areas:

- piloting of SmartCards to deliver significantly increased uptake of free school meals and healthier eating
- a network of public service information points for areas outside administrative centres
- a local authority call centre aiming to deliver a positive outcome at first point of contact in 80% of cases
- more responsive and faster services for housing repairs
- better access to services through multi-agency one-stop shops
- better health, education and jobs information and services online for young people through a national youth portal
- improved value for money for public purchasing through a single e-procurement service open to the whole public sector in Scotland

To give a representative flavour of projects, some specific examples are listed in Table 1. To date, while the emphasis has been placed on encouraging partnership working, there are relatively few examples of MGF being applied to cross-cutting Executive policy areas, such as the drug strategy.3

3 Although resources for the purpose of joint working have been provided through the Changing Children’s Services Fund. The Joint Futures agenda has also been progressed by the MGF.
Table 1. Examples of Projects (round one)

<table>
<thead>
<tr>
<th>Project</th>
<th>Summary</th>
<th>MGF Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aberdeen City Council with Grampian Primary Healthcare Trust, Grampian</td>
<td>The &quot;AccordLink&quot; project to give members of the public a smartcard to help them access council services</td>
<td>£2,000,000</td>
</tr>
<tr>
<td>Police and First Group PLC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aberdeenshire Council in partnership with Grampian Primary Healthcare</td>
<td>To provide a new internet portal to meet the needs of older people aged 65 and over.</td>
<td>£100,000</td>
</tr>
<tr>
<td>Trust, Grampian Caredata, Scottish Enterprise Grampian and the voluntary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>sector</td>
<td></td>
<td></td>
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<td>SE Development Department with CoSLA, Scottish Homes, Shelter, Chartered</td>
<td>To create a central registration system for rented housing that enables social housing to be accessed more easily and allocated more appropriately.</td>
<td>£686,462</td>
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<tr>
<td>Institute of Housing, Scottish Federation of Housing Associations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Highland Council with Highlands and Islands Enterprise, BT, ICL and the</td>
<td>&quot;Digital Highland&quot; initiative to improve the telecommunication infrastructure and power supplies that can provide a greater digital network.</td>
<td>£1,300,000</td>
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<tr>
<td>Post Office</td>
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</tr>
<tr>
<td>CoSLA - with Glasgow City Council, Angus Council, Argyll and Bute Council</td>
<td>The &quot;Dialogue Youth Initiative&quot; will build on an existing pilot study to give young people a smartcard that can be used to access information and youth services.</td>
<td>£976,000</td>
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</table>

MODERNISING GOVERNMENT FUND 2 (MGF2)

A second round of bidding has been announced by the Scottish Executive, known as MGF2, with a budget of approximately £30m. The priority for MGF2 is to exploit the lessons learned in MGF (and from other modernisation projects) with a view to rolling out these projects at a Scotland wide level.

The objectives and targets are stated in the 2002 Annual Expenditure Review (AER):

- "Secure social justice by promoting better access to public information and services for all through multiple channels including kiosks and online"
- "Support projects in 2002 for the roll out of SmartCard applications across at least half of Scotland’s local authorities with gains for free school meal take..."
up, and for young people’s access to health, education and jobs advice and services

- Achieve acceptance of a single model of SmartCard across Scotland
- Secure further take up of our e-procurement scheme and consequent significant net savings on purchasing for those who do.” (Scottish Executive 2002a)

In June 2002, the projects to be taken forward to the next stage in the MGF2 bidding round were announced. These are to be funded either as ‘fast track’ projects or on the basis of more fully worked up bids, which widen the participation arrangements of the project and provide a ‘single project plan’. The Executive has stated that it will support some small-scale “pathfinder” projects for new forms of working and service delivery. In suitable cases, where bidders are seeking “seedcorn” funding of up to £100,000 for such projects, the minimum 25% contribution may be waived.

All bids for this round of MGF have now been received and successful projects are expected to be announced shortly.

The Executive will establish a Project Steering Group for each of the main project areas to be funded through MGF2. These Steering Groups (chaired by the Scottish Executive) will be made up of senior officials from across the public sector and will take responsibility for the leadership and co-ordination of the projects awarded funding. Project Teams comprising officials from the bidding organisations will be set up under the direction of the Steering Groups.

BUDGET ISSUES

SCOTLAND

In 2000, Jack McConnell, the then Finance Minister, announced funding of £25m for MGF projects (Scottish Executive, 2000). This funding (later increased to £26 million) was for allocation in 2000-01 and 2001-02. A further £30 million has been committed for MGF2 in 2002-03 and 2003-04 (Scottish Executive, 2002b).

Modernising Government Fund

<table>
<thead>
<tr>
<th>£m</th>
<th>2002-03</th>
<th>2003-04</th>
<th>2004-05</th>
<th>2005-06</th>
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<tr>
<td>Building a Better Scotland</td>
<td>15</td>
<td>15</td>
<td>16</td>
<td>16</td>
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</table>

UK

Expenditure on equivalent programmes in England has implications for the Scottish assigned budget. The totals received by Scotland from the Capital Modernisation Fund (CMF) are the result of negotiations between the Treasury and the Whitehall spending departments. As a result of these discussions, Scotland receives the
proportional consequentials through the assigned budget which are then allocated within the Scottish budget. Members should note that the MGF line as budgeted in the AER and Building a Better Scotland (Scottish Executive, 2002c) only records expenditure that is unallocated. In reality, the consequentials from CMF are likely to be considerably greater. For example, in England, the budget for the CMF totalled £4882m over the period 1999-00 to 2003-04 (HM Treasury, 2002).

THE INVEST TO SAVE BUDGET (ISB)

In a parallel initiative to the MGF, the Invest to Save Budget was established to provide funding for innovative projects developed by partnerships involving two or more public service bodies, including central government departments, local authorities, health authorities and police forces. It provided support for projects that increased the extent of joint working between different parts of government, identified innovative ways of delivering public services and reduced the cost of delivering the services and/or improved the quality and effectiveness of services delivered to the public.

The Programme invested in local projects in England. Funding was provided on a competitive basis through annual bidding rounds. There were no set regional funding limits, although it has been estimated that a total of £380million will have been spent on ISB projects over the period to 2003-04. Round One, in 1999-2000, was restricted to central Government Departments and their agencies. In the second and third rounds local authorities, police and fire authorities, health authorities, non-Departmental public bodies and public corporations could also apply. In round four, voluntary and community sector bodies were eligible to lead projects for the first time.

All projects were required to meet the following over-arching objectives:

- Increase the extent of joint working between different parts of government
- Identify innovative ways of delivering public services which serve the ‘Modernising Government’ agenda
- Reduce the cost of delivering public services and/or improve the quality and cost effectiveness of services delivered to the public.

Bids were assessed by a committee, chaired by the Treasury, in consultation with the Cabinet Office using a pre-determined set of criteria. Recommendations from this Committee were made to the Chief Secretary to the Treasury who took the final decision on the winners after consulting with the Minister for the Cabinet Office.

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4 The size of this depends on the comparability percentages determined by the Barnett Formula. For example, if the Department of Health secures £100m of CMF, Scotland will receive roughly £10m (10.23x99.6). If the Department of Trade and Industry negotiated £100m, then Scotland would only receive £2m (10.23x21.3). Scotland has 0% comparability with the Chancellor’s Departments, because they provide services across the UK, and so would receive nothing at all for any increase in CMF to these areas.
Winning projects agreed an implementation plan with the Treasury and the Cabinet Office. Each project provides six-monthly progress reports and carry out an evaluation of its success once it has been completed. Projects running for longer than a year also have to carry out an interim evaluation exercise.

A dissemination programme examined the lessons of ISB projects. These lessons include:

- how a project can be replicated or adapted elsewhere.
- how the risks associated with a project were successfully managed.
- what structures were used to make the partnership function effectively.
- how users were consulted on projects and their views were factored in.

REFERENCES


HOMELESSNESS ETC. (SCOTLAND) BILL

Submission from Shelter

Financial Costs of the Homelessness etc (Scotland) Bill

Thank you for the opportunity to submit comments on the Homelessness Bill. Shelter was a member of the Homelessness Task Force which developed the policy proposals which lay behind the bill and a key concern in developing the proposals was how practicable they would be.

Broadly, we are comfortable with the terms of the financial memorandum which accompanies the Bill. We do believe that greater resources will have to be committed, especially in the early years of the Bill’s ten year time frame. However, we also believe that the resource requirements are within what is reasonable to anticipate and should be no reason for delaying or diluting the Homelessness Bill.

Resources are needed in two main areas:

1. Supply of accommodation
   a) Mainstream accommodation

   If the bill is to achieve its policy goals there will need to be an increase in good quality, affordable housing. In some areas, notably, Edinburgh and the Lothians and many rural areas there is an absolute shortage of affordable accommodation. The exact level of shortage cannot currently be quantified but should emerge as local housing strategies are published. Similarly, in many parts of west central Scotland, the issue is not so much one of absolute shortage as of the quality of the homes and of the stability of some of the most disadvantaged communities. These conditions are breeding grounds for cyclical homelessness.

   These gaps between need and supply need to be addressed. However, we do not believe that the difficulty in quantifying the need gap is reason enough not to proceed with the way the Bill works. As local housing strategies are published it should be possible to construct an overall profile of shortfalls across Scotland as a whole. Shelter recommends that this is accompanied by a national assessment of housing need, which would act as a benchmark for the aggregate local assessments. The 2002 Scottish House Condition Survey would be a key source.

   This would mean that by 2005 we should have a much more accurate profile of outstanding housing need. This dovetails well with the Homelessness Bill. The initial phase of the Bill (up until December 2005) is mainly concerned with expansion of duties towards groups of people already prioritised within the Code of Guidance on Homelessness. In that sense, it simply puts in statute what should already be current practice and so should have limited financial implications.
After 2005 it is likely that the second phase of the Bill’s programme will certainly have greater supply implications. But by then, there will be better information about need and we will be in a new CSR period.

b) Local connection

Shelter is aware of views that the ending of local connection will affect some areas more than others. We cannot see any evidence for this and, in any case, this would only affect the sub-national distribution of finance not the total amount needed.

c) Private landlords

Most of the supply implications will be borne by local authorities and housing associations but there is potentially a bigger role for private landlords. Under proposals currently being considered by the Housing Improvement Task Force, private landlords may be more accountable to public policy and therefore more able to play an active role in relieving pressure on local authorities and housing associations.

d) Specialist accommodation

One area to which greater attention needs to be paid in the short term is specialist accommodation. There will be a small number of intentionally homeless people who cannot sustain a short Scottish Secure Tenancy and who end up in specialist accommodation designed to support them until they are able to take on a tenancy again. Most areas currently do not have such specialist accommodation but it needs to be available by early 2004. This needs planning and funding now. £11 million has been earmarked by government between this year and next to cover all aspects of the Homelessness Task Force’s recommendations. Shelter believes that this £11 million could easily be absorbed by the need for new specialist accommodation alone. More is needed. The Comprehensive Spending Review outlines £127 million to be committed to homelessness over the next three years: however, much of this will be within existing programmes (including the £11 million mentioned above) and, as yet, the detailed breakdown has not been made available. The Scottish Executive has committed itself to a full evaluation of the Rough Sleepers Initiative (RSI). This evaluation needs to assess developments outside the formal RSI programme so that the additional impact of the RSI can be assessed. In doing this some estimates of the costs of specialised accommodation can be provided.

2. Support

If the success of the bill depends on the availability of both mainstream and specialist accommodation, it equally requires a step change in the availability of support to people as they make the transition from homelessness to permanent accommodation and, in some cases, for the longer term. Through its network of
families projects, Shelter has considerable experience of just how intensive and varied support needs can be. There is no doubt that much more housing and social support services are needed. But there are two main resource issues:

a) There is funding available at present through transitional housing benefit (THB) but when that converts to the Supporting People budget in April 2003 the total budget will be capped and therefore the capacity to develop new projects much more limited. In fact, given lead-in times it is already too late for authorities to be developing new projects to be funded by THB. Given that most local authorities may now only be looking at the support implications of the Homelessness Bill, it is at exactly the time when the key funding source over the last two years is being closed off. There needs to be a commitment to review Supporting People within two years of its commencement.

b) Even with more money available to fund support there is a critical and growing shortage of staff with social work and social care backgrounds. The Scottish Executive has recently launched a campaign to attract people, especially young people and men, into social care work. That campaign needs to be sustained and backed with an examination of training, education and career development opportunities.

3. Final remarks

There are two final remarks that we would want to make. Firstly, that homelessness as a funding area has suffered from the fragmentation of finance into different ring-fenced pots. A review of all funding for homelessness work should aim to create a more streamlined source. Secondly, and much more positively, we are well aware that the Homelessness Bill will create new challenges for many local authority and voluntary sector staff. Their role will be transformed by the Bill from that of gatekeeper to facilitator. There will be short term costs in this transformation: it is a change in work culture. However, it is a process that we believe will release new sources of energy and commitment from staff and that is one well worth following.
Dear Mr McGill

Homelessness etc. (Scotland) Bill

South Lanarkshire Council (SLC) welcomes the opportunity to respond to the Finance committee of the Scottish Parliament request for a submission on the financial memorandum accompanying the Homelessness etc (Scotland) Bill.

Before raising specific points I would like to emphasise that the Council is concerned that the Homelessness Bill will have significant cost implications which have not been fully addressed in the financial memorandum.

Priority need

The acknowledgement that the phasing out of priority need can only be implemented as housing requirements are identified in the Homelessness Strategy and the Local Housing Strategy is welcomed, not least because the key consideration in removing priority need will be to achieve an adequate supply of accommodation.

SLC recently carried out a detailed assessment of homeless statistics for the first six months of the new electronic data capture exercise. This has shown that the Council receives in the region of 25% of applications from non-priority applicants. In the six month period between January and June this amounted to 280 non-priority applications from a total of 1147. This would mean over a 12 month period SLC would expect to receive approximately 560 applications from non-priority households.

However the above figures and those quoted in the financial memorandum are prior to the 30 September, after which the right to temporary accommodation was extended to all homeless people. Following this change, it is anticipated that the number of people presenting as homeless will increase, as in the past, people who were unlikely to be in priority need often did not make applications.

Mr David McGill
Clerk to the Committee
Room 2.1
Committee Chambers
The Scottish Parliament
Edinburgh
EH99 1SP
Therefore when making calculations for the removal of priority need and the implementation of the Homelessness Bill in general, the Homelessness Strategy will have robust statistical data. In terms of the proposals to remove the priority need criteria on a phased basis it is not anticipated that the proposals in terms of phase one will have a significant impact as the Council’s procedures currently reflect the code of guidance. In terms of the other two phases it is apparent from the Council’s electronic data capture exercise that there will be a significant increase in the number of households to whom the Council has a duty to permanently rehouse.

In some areas of South Lanarkshire, housing supply is a particular issue, particularly East Kilbride where 74% of original stock has been sold through the Right to Buy. In the first 6 months of 2002 if all priority need applicants have received an application, this group would have accounted for 83% of all relets. This would have left 17% (or 31 relets) for waiting list and transfer applicants. The phasing out of priority need and the increased right to permanent accommodation will cause increased pressure in an area such as East Kilbride which already has a shortage of supply.

**Intentionality**

SLC has concerns with several of the comments made in paragraph 32, relating to intentionality. Firstly, the assertion in this section is that removing the duty to investigate intentionality with a power to do so will offer an administrative saving. Secondly the memorandum indicates that the consequences of finding someone intentionally homeless will place a greater burden on Local Authorities as it will be necessary to provide accommodation and support. Therefore the memorandum implies that by not finding an applicant to be intentionally homeless Councils would only need to provide accommodation rather than accommodation and support and consequently make a saving. However this would not address the long term needs of the homeless applicant or their local community. If someone is homeless due to anti-social behaviour it is likely that if they do not receive support this will reoccur leading them into cycles of repeat homelessness. Therefore simply ignoring intentionality (as could occur with a power rather than a duty) in order to make administrative savings and save money on support costs will not assist the homeless person or the wider community.

The memorandum highlights that emphasis on early intervention and prevention will reduce significantly the number of households for whom support is required. SLC has a successful Shelter (Families) Project which works with homeless families and those threatened with homelessness who have support needs. However there is no discussion in the memorandum of the costs of such projects, beyond emphasising the importance of Supporting People. At present the Shelter (Families) Project costs approximately £200 000 per year with a potential to support 35 families. These costs are consistent with the Dundee Families Project which illustrates that although good results can be achieved these often require a significant input of resources.

However to take into account the requirements of the Housing (Scotland) Act 2001 and the proposals of the Homeless Bill it is likely that SLC will need to expand the existing Shelter (Families) Project and develop a menu of support options, rather than adopting a one size fits all approach. It follows that the costs of such projects are likely to increase, (because historically the numbers of intentionally homeless applicants have been low as they did not have the right to permanent accommodation). Increased rights through the Homelessness Bill will increase the number of applications from intentionally homeless applicants and subsequently the need for housing support.
The long term benefits of early intervention and prevention leading to reduced homelessness can only be realised if work is ongoing. It is not a case of providing initial support to homeless people for a few years then withdrawing it when homeless statistics start to fall.

In order to address the support needs of homeless applicants it will be necessary to link with the wider national and local policy agenda in relation to anti-social issues and to link into other agendas such as Criminal Justice and Social Work. It is vital to recognise the limitations of housing support in that support in itself may not remedy “offending and anti-social behaviour”. Not least because not all homeless applicants will agree to accept housing support. The Homelessness Bill means a continuing duty to someone regardless of whether they accept support. An effective balance has to be struck between someone who is homeless as a result of their own anti-social behaviour and the well-being of the wider community.

The memorandum quotes the Supporting People budget as having a key role in enabling the funding of housing support. However there are no further details, including whether the Supporting People grant will include sufficient resources for housing support. It is unclear what the increase in homelessness will be as more people become aware that they will have a right to accommodation they previously did not have therefore it has been difficult to take into account the need for housing support.

In relation to the numbers of intentionally homeless people in South Lanarkshire, particular caution has to be exercised in using recorded homeless data to give an accurate picture of intentional homelessness. Individuals whose own conduct has led to their own homelessness are aware of the “limited” nature of their rights and are therefore less likely to present as homeless. Based on an analysis of homeless applicants in the first six months of the year it can be projected that SLC would receive in the region of 180 intentionally homeless applications each year. However it is anticipated this would increase as a result of the Homelessness Bill.

The availability of sufficient resources in terms of finance, accommodation and support services to underpin the Homelessness Bill will determine the ability of Local Authorities to implement the Homelessness Bill. A full understanding of the level of resources is likely only to be achieved over time as the Homelessness and Local Housing Strategy processes develop.

It should be emphasised however that, regardless of the quality of homelessness strategies their success will be dependent upon the availability of resources (financial, accommodation, support and other). Indeed given the complexity of the issues under priority homelessness, it is essential that resource provision and planning is considered in the longer term. The current system for the allocation of funding acts against this long term approach.

If you would wish any further details on South Lanarkshire Council’s response to the financial implications of the Homelessness Bill, please do not hesitate to contact Karen Strang, Policy and Planning Officer on 01698 454033. South Lanarkshire Council would be happy to be consulted on any further issues with regard to the Homelessness Bill.

Yours sincerely

Jim Hayton
Head of Strategy and Development
Dear Mr. McGill,

Homelessness Etc. (Scotland) Bill

I refer to the letter from Des McNulty, MSP, Convener of the Finance Committee inviting The Highland Council to comment on the financial implications of the above legislation. We welcome the opportunity to comment.

The Highland Council’s main concern regarding the Homelessness etc. (Scotland) Bill relates to the additional strain the new measures will place on an already pressured housing system in the Highlands. There is already an identified shortage of affordable rented housing in the Highlands. Our draft Local Housing Strategy gives an indication of the pressures within the housing system. We are very firmly of the view that the Highlands needs additional capital resources to allow significant additional levels of affordable housing.

The Highland Council has been asked to give evidence to the Social Justice Committee at the Scottish Parliament on 6th November. In that evidence we give further details of the extent of the housing pressures we face. I attach a copy of the evidence submitted for your information.

Turning to the specific matters contained in the Bill’s Financial Memorandum, we would offer the following comments:

Costs on the Scottish Executive

We do not share the assumption that "more sustainable approaches to homelessness will result in efficiency savings."
There is a particular reference to approximately 27% of homeless households involving households who have previously applied as homeless. We welcome the fact that the Bill aims to prevent repeat homelessness and our Homelessness Strategy Action Plan will aim to put measures in place to achieve a reduction in repeat presentations. However, at present in Highland, for example 19% of repeat homelessness presentations occur as a
result of women fleeing domestic abuse. We do not believe that his trend will be affected by the measures outlined in the Bill although we will continue to work with other agencies to tackle domestic abuse issues.

The additional resources identified by the Scottish Executive to take forward the provision of the Housing (Scotland) Act 2001 and those arising from the Bill are welcome. The Highland Council allocation of £270,000 per year, this year and next, will help us respond to the new duties of the Housing (Scotland) Act 2001. However, these resources are insufficient to ensure the capital investment required to increase the supply of affordable rented housing.

It is noted that Communities Scotland’s Development funding budget will increase nationally by £10M in 2003/4. Pro rata that will result in an increase of £400,000 in development funding in the Highlands. That will allow the development of approximately 8 extra units of affordable rented housing to meet all needs (including homelessness) in the Highlands. We do not believe that represents an adequate level of funding. We estimate that we will need to provide an additional 285 new affordable homes per annum requiring an additional £13M per year in the housing association development programme. We would argue very strongly that additional development funding should be awarded at a level that will increase the supply of new affordable housing to levels that might allow us to respond to levels of homelessness we experience.

**Costs on Local Authorities**

**Priority Need**

It is suggested that the increased duties towards homeless people and the increases likely in homeless presentations will be compensated by reduced levels of repeat presentations, and that actions taken through Homelessness Strategies will also be expected to reduce homelessness. We hope that there will be clear links between Homelessness Strategies and resource allocations to ensure that Local Authorities are able to deliver the actions required to achieve this. We believe the resource implications are greater than suggested in the Bill.

**Intentionality**

It is suggested that Local Authorities will achieve administrative savings as a result of no longer having a duty to investigate whether applicants are homeless intentionally. This is accepted but it is considered that the new duties in relation to information and advice and the need to manage homelessness casework in a more intensive way will result in additional costs, balancing out any savings.
I hope the above information and attached document is of interest to the committee. Please do not hesitate to contact me if you require any further information in relation to this matter.

Yours sincerely

David Goldie
Head of Housing Strategy

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The Homelessness Etc. (Scotland) Bill

Evidence to Finance Committee

Introduction

The Chartered Institute of Housing in Scotland (CIH) welcomes this opportunity to provide information on the financial implications of the Homelessness Etc. (Scotland) Bill to the Finance Committee.

The Chartered Institute of Housing in Scotland (CIH) is the professional body for people who work in housing, within local authorities, registered social landlords, central government, the private sector and a range of other bodies. The CIH has over 17,000 members in the UK with around 1,600 members in Scotland. This response is based on feedback from our members and discussion with other interested groups and organisations.

The CIH welcomes the Scottish Executive’s commitment to further legislation aimed at tackling homelessness in Scotland. The Homelessness Etc. (Scotland) Bill builds on the homelessness provisions introduced by the Housing (Scotland) Act 2001 and will seek over time, to tackle the hierarchy of the deserving / undeserving homelessness aspects of previous legislation. The CIH supports this approach but has some concerns about the implications of the Bill.

Phasing Out Priority Need

The CIH supports the phasing out of priority need. However, in order to be effective and to not prejudice the housing chances of other people in housing need - i.e. those on local authority and RSL house waiting lists - considerable additional financial resources will be required. In 1999/00 46,000 households applied as homeless; 20,400 were deemed to be in priority need and potentially eligible for permanent accommodation and 13,700 were not in priority need. The removal of priority need would mean that these 13,700 households will become eligible for permanent housing. This means that there is the potential for an increase in demand for housing of somewhere in the region of 67% per year. It has been argued that the official homeless statistics only represent the ‘tip of the iceberg’ with many non-priority homeless people not approaching their local authority as they know that it does not have a duty to provide permanent accommodation for them. However, this can to some extent be countered by the fact that a limited number of those households deemed not to be in priority need will be housed through the general needs waiting list. There is also an element of double counting through some households presenting more than once in the counting period. The Scottish Executive also contends that the Homelessness Etc. (Scotland) Bill will reduce repeat homelessness and thus reduce ongoing demand.

1 Scottish Executive Statistical Bulletin Housing Series HSG/2001/5
from homeless people. On balance it may therefore be fair to say that the removal of priority need is liable to lead to an increase of lower than 67% but a substantial increase should still be expected. However, the current planned building programme announced by the Scottish Executive is for only 18,000 new homes for social rent over the next four years. Much greater investment and an increased social housing building programme is required if priority need is to be removed by the 2012 target date without a serious negative effect on other people in housing need.

Housing demand already considerably outstrips housing supply. In addition to the number of homeless people seeking permanent accommodation in September 2000 there were 172,542 households on local authority house waiting lists in Scotland. Any failure to invest in implementing the Homelessness Etc. (Scotland) Bill will impact on this group of people – the majority of whom although not homeless have particular housing needs.

The increased duty toward homeless applicants will also increase demand for temporary accommodation whilst suitable permanent accommodation becomes available. Some funding for increasing the supply of temporary accommodation has been made available as a consequence of the Housing (Scotland) Act 2001. Concern has been expressed by some organisations and providers that this is not sufficient to cover the costs of increasing the supply of temporary accommodation, particularly the capital costs. Some of the revenue costs may be covered by housing benefit.

**Intentionality**

The premise of this section of the Bill is that an intentionality decision is in effect a decision to provide accommodation with support to address the household’s needs. The CIH believes that 'difficult' or 'challenging' households must be given an opportunity to address their behaviour and that support is a vital part of this. The CIH is concerned at the way intentionality is being used as the vehicle to target these households and these concerns have been expressed to the Social Justice Committee.

This Bill will create an increased duty on social landlords to provide support to particular households. In 1999/00 2,500 households were deemed to be intentionally homeless. With the Bill introducing a power to investigate intentionality it means that not every one of these households would be assessed as requiring support but it should be expected that a significant number would be. However, it remains to be seen how local authorities will use this power. It may also be likely that more households will come forward given the new duty to accommodate than have previously, again knowing that they would not have received significant assistance. In addition in 2001-02 3,077 households were evicted or abandoned their home as a result of eviction action, each one of these will

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3 Housing Factsheet 2001, Shelter Scotland
in future become eligible for rehousing and many would probably be likely to be deemed intentionally homeless. At this stage it is not possible to quantify the likely additional costs of this.

Much of the burden of providing support will be expected to be met from the Supporting People budget. There are already numerous concerns that Supporting People is going to struggle to cope with current expectations let alone new demands. The resourcing of Supporting People is therefore a key issue and additional funding is likely to be required to implement the Bill. There are also other forms of support that may be required that fall outwith the remit of Supporting People but that are equally important in helping move toward sustainable tenancies. One example would be parenting skills or disputes mediation. The Bill and supporting documents are not clear on how these will be financed.

The proposed changes to intentionality will give local authorities an on-going duty to provide accommodation in cases where an SSST does not convert to a full SST. This means that there will be an increase in need for specialist projects to continue addressing support needs or behaviour of particular households. The Bill does not go into detail of what is deemed to be appropriate support and accommodation in these circumstances and it is therefore difficult to assess the costs of this. Addressing particularly challenging behaviour can be resource intensive and it will be hoped that the Scottish Executive take this into account in looking at resources require to implement the Bill.

**Restriction of Power of Referral**

This section of the Bill may incur cost implications for some local authorities if the flow of homeless household to a particular area increases. There is only limited evidence to suggest that this may happen and the Bill makes provision for monitoring the impact of this change. Nationally there may not be financial implications but there could be at a local level. It would be hoped that resource allocations to local authorities from the Scottish Executive will take this into account.

**Repossession**

The CIH agrees with the Scottish Executive’s financial memorandum that there costs of this will be limited. There will however, be an additional need to ensure that landlords are aware of the new duty being placed on them and this may incur advertising / promotional costs.

This briefing has been prepared by the Chartered Institute of Housing Scotland.

For more information please contact Nick Fletcher, Policy and Public Affairs Officer.

Tel 0131 224 4544 email nick.fletcher@cih.org