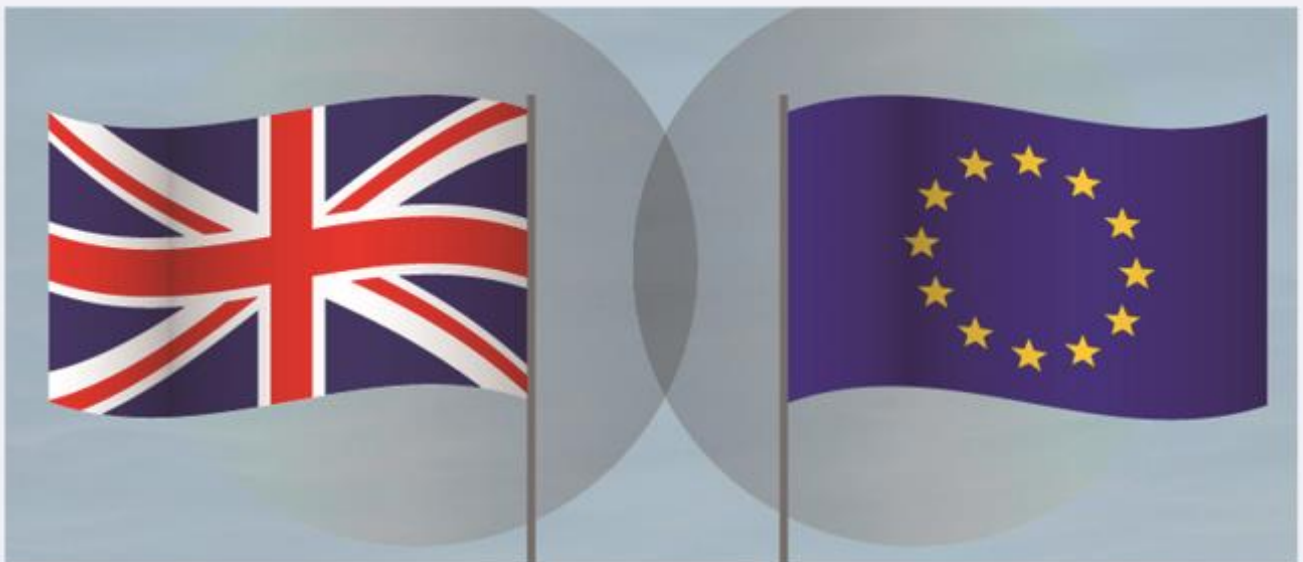


The potential impact of Brexit on housing associations in Scotland

Summary Report and Next Steps
March 2017

Based on research prepared by Anna Evans Housing Consultancy Ltd

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Foreword

Last June marked a momentous occasion when the electorate across the UK – albeit not in Scotland or London – voted by a small majority to leave the EU. As the dust began to settle we were told “Brexit means Brexit”. Since then, we have been waiting to find out what Brexit really means, not least for housing associations. Uncertainty still abounds, though we may know more later this month.

We held a ‘Brexpert’ panel in August ([Click here](#) to view the video record on our YouTube channel). We then commissioned commentary on developments from Edinburgh University which we’ve been publishing in the SFHA magazine since last autumn. We also decided to commission some research on our members’ views and secured [Anna Evans Housing Consultancy](#) to undertake the research summarised in this report. We will share these findings with politicians in the Scottish Government and the Scotland Office to give them the best chance of addressing our concerns, as negotiations with the EU start imminently.

We collaborated with colleagues in other federations across the UK to assess the implications and to use the NHF channel to feed views into DCLG. NHF is producing a report which will be shared in the coming days with their members, and with other federations and their members in turn.

A preview of NHF concerns suggests they are very similar to our own. While there is little optimism about the challenges ahead there is a recognition that it may prompt better training and employability opportunities. But to exploit those effectively and minimise disruption, we need to get going now.

This research enhances our insight into the potential implications for our members’ communities, for employment prospects and, ultimately, for the sector’s capacity to add to the supply of affordable housing.

A plenary at our annual conference in June will provide space to consider the implications of Brexit. Maybe by then we will know what Brexit really means!



Mary Taylor

Chief Executive, Scottish Federation of Housing Associations

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Acknowledgements

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1. Introduction

The Scottish Federation of Housing Associations (SFHA) is the national representative body for Scotland's housing associations and co-operatives (HAs). The SFHA has gathered evidence from its membership on the potential implications of exit from the EU for Scottish housing associations (Brexit).

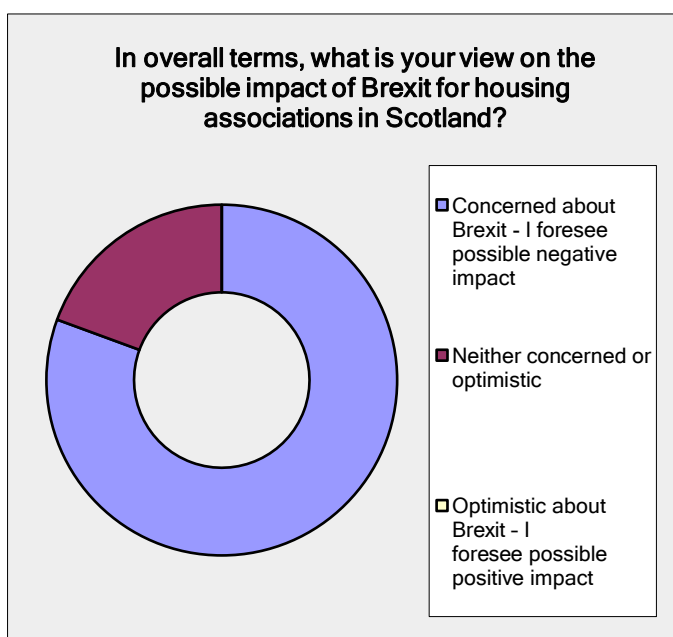
This summary briefing provides the results of a membership survey undertaken between November and December 2016 and includes case study examples to illustrate members' opinions on the potential impacts gathered in January 2017. The survey findings come from just over one in four members. Responses to the survey and the five case studies represent different types and sizes of HAs – covering those operating in city, urban, rural and remote environments.

2. Overall views on impact of Brexit

The **majority (80%)** of respondents are concerned about Brexit, foreseeing **possible negative impact**.

The key concerns about Brexit are around:

- Ongoing uncertainty
- The impact of uncertainty on financial markets, and impacts on private finance
- The possible impact on construction supply chain and workforce supply chain and costs
- But some people are more pragmatic about prospects, seeing some balance between the risks and opportunities.



3. Demand for social housing

- The majority of respondents estimated that less than 10% of their existing tenants are non-British EU citizens. There are exceptions: five respondents stated that over 10% of their tenants are non-British Europeans, and one case study association cited that 23% of its tenants are non-British Europeans.
- 72% of respondents reported an increase in demand for social housing from non-British European citizens over the past 10 years.
- There were mixed views on how demand may change or not as a result of the UK leaving the EU, but the highest proportion envisaged no change.
- Demand is affected by the types of markets that associations operate in. Two case study examples below demonstrate demand issues in pressured markets and lower demand city/urban markets. Demand for new build affordable housing, regardless of the type of market, is said to be very high.

“Brexit will make no difference; we can let our new build properties 10 times over.”



Glen Oaks Housing Association is a growing, medium-sized association based south of Glasgow. Since 1991, the association has helped regenerate and develop successful communities from previous low demand City Council and Scottish Homes stock. Glen Oaks marketed its lower demand housing to First Bus Group which attracted Polish bus drivers to rent Glen Oaks' homes. Since then, the Polish community has naturally established itself and has integrated well into the local community. The Polish residents make positive contributions to the community, evidenced by the mixing of the economic profile of the association's areas with higher proportions of working households; the great pride that Polish households take in their homes, with properties and gardens kept to a high standard; and their participation in the full range of community activities. The association's Board has identified Brexit as a risk on its risk register.



Manor Estates Housing Association is based in Edinburgh and provides housing across the city in a range of different types of communities, including high demand suburbs and lower demand estates. The association believes that demand for housing in Edinburgh will not be affected by Brexit at all. There is severe housing pressure in Edinburgh, with an example of 'bids' for housing through Edinburgh's common housing register showing 900 different bids for one house in Dolphinston. Even in lower demand areas, a social rented home will get bids from 100 different households. While there are significant communities of EU nationals living in Edinburgh, even if all these households left the city, the association expected that demand for housing would still be very high in Edinburgh.

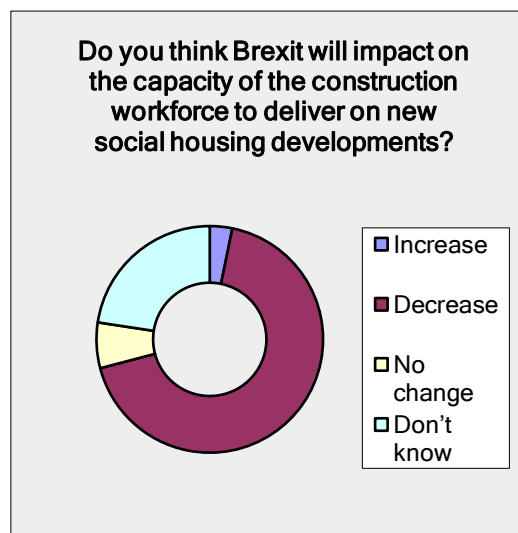
4. Future housing development and affordable housing supply programme

The survey suggests **uncertainty** from members about future private new build housing development and the impact on the housing market. There is widespread concern about the potential impact on the capacity of the **construction workforce** to deliver new social housing programmes:

- Nearly **70% of respondents** think Brexit will **decrease the capacity** of the construction workforce to deliver on new social housing developments.
- Over **80% of respondents** think Brexit will impact on the **supply chain of trade and building materials** through increasing costs in general (inflation, exchange rates) and in building materials and components in particular.

"Many components are sourced from the EU, or contain materials sourced from the EU, which could potentially result in cost increases or shortage of supply if trade agreements are not in place when the UK leaves the EU."

- Some members did mention the opportunities that may arise from the exit for the development of greater supply of Scottish and British construction trades and workforce.





Eildon Housing Association (EHA) is based in the Scottish Borders and plans to build 750 homes over the next five years. It feels Brexit may impact on the total number of new homes EHA will build **IF** the capacity of the construction industry is reduced. Workforce capacity is a key challenge, even without Brexit. Where will the skilled labour come from to deliver on the 750 new homes in the Borders over the next five years as well as the 50,000 new affordable homes nationally? EHA is concerned that tender prices will increase as a result of any shortage of labour or higher costs in the building supply chain of trade and materials.



Easthall Park Housing Co-operative is based in Easterhouse, Glasgow, one of the most deprived areas of Scotland. Easthall Park thinks there is potential for shortages in construction labour, with an example provided of a recent energy efficiency cladding project, where the majority of the contractor's labour were from other EU member states. However, this is countered with the view that there is unlikely to be a short-term impact, as Europeans are unlikely to be required to return to their home EU states immediately, but there may be a medium-term impact until Scotland builds up its own skills to adequately respond to demand. The fact that Scotland, and wider UK, may well have to build up its own local skilled workforce is seen as a potential positive impact and benefit for young people, particularly, in SIMD areas such as Easterhouse.

5. Wider workforce capacity

Members were asked whether they foresaw any impacts on service delivery workforce.

- The survey asked about **the proportion of their care services workforce who are non-British Europeans**.
- The **overwhelming majority of respondents indicated that very low levels of their care services workforce were from other EU states**. It should be noted that not all housing associations provide care services.
- This suggests there will be **a minimal impact on service delivery workforce for housing associations**. But one case study raised the issue of the social care workforce generally, rather than around their own employees.

“Possible implications for the jobs market and the lack of clarity regarding both the status of existing EU nationals and the availability of future labour to undertake work in care and housing support – this is very significant for an organisation like [ours].”

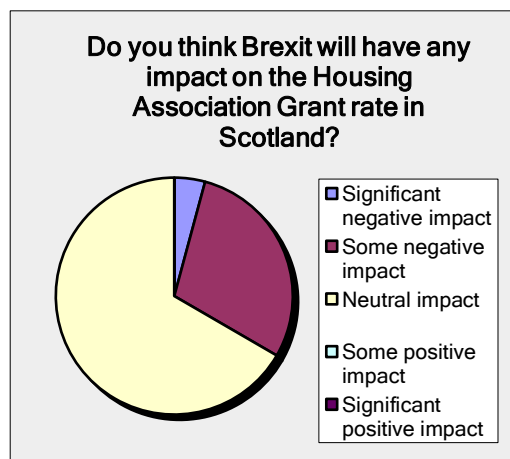
6. Private finance, housing association grant and European funding

Participants were asked questions about a range of private finance and European funding options that are currently available to housing associations.

- The majority of respondents say they have **not experienced any change in attitude from potential private finance providers** or investors since the referendum. But there are examples of uncertainty and concerns in future growth and development plans due to current discussions with lenders.
- Two thirds of **respondents do not foresee any change on the HAG rate**, but some consider overall pressure on Scottish public finances may result in reductions of HAG overall.

“If support from UK government has to be reduced to meet additional costs as a result of Brexit then there is potential for an across the board reduction in grants, including housing.”

- **Not surprisingly, 90%** of respondents think Brexit will **significantly restrict access or restrict access to three investment options in particular**: The European Investment Bank, European funds such as the European Social Fund, and the European Regional Development Fund.
- Many communities have benefited from the wider community development work which housing associations do, much of which is **funded through EU funds**.





The Hebridean Housing Partnership (HHP) provides affordable housing across the outer Hebrides. HHP feels confident in its existing financial arrangements and funds it currently has in place. However, it is very concerned about the potential impact of losing access to EU funds in the context of the rural area in which it operates. EU funding has been significant for the Hebrides, for example, for infrastructure programmes and funding that has benefited the wider islands economy. HHP does not feel confident that the UK Government will invest in, or prioritise, rural and island areas such as the Hebrides post-Brexit. HHP currently has a long-term funding arrangement in place with a bank and feels lucky to have reviewed its financial arrangements before the EU referendum. It also negotiated additional top-up finance from the bank, although the loan period offered was much shorter than expected. HHP also notes that the terms and conditions it secured pre-EU referendum are no longer available in the market.



Easthall Park Housing Co-operative has been instrumental in supporting the stand-alone charity Easthall Residents' Association (ERA) which operates from the Glenburn Centre. The vision was to create a proper community place which, over the past 10 years, has gradually built up to be a significant provider of community facilities, especially for children and young people in volunteering, training and employability. In 2015/16, ERA delivered a total of 1,399 activity sessions, and hosted 30,901 attendees. Over the course of that year, ERA directly supported 324 individuals via training, volunteering and employment. The community centre was built 10 years ago at the cost £1.4 million, funded through a combination of internal resources, European Social Fund, European Regional Development Fund, Scottish Government and Glasgow City Council.

7. Procurement regulations

Members were asked whether they felt procurement regulations may change following exit from Europe. The consensus here was that there is unlikely to be any change.

“Yet to be determined, current Scottish Government procurement goes beyond EU legislation so potential that it will not make much difference.”

“I can’t see the Scottish Government backing down from its procurement rules which are already stricter than EU guidelines.”

8. Overall priorities

In overall terms, the key themes coming from the survey and case studies respondents was around **uncertainty, concerns regarding inflation and currency exchange rates** and the potential negative impacts this will have on **construction and financial markets**.

Members prioritised the areas which may be impacted by Brexit as follows:

- This shows that the most significant concern to SFHA members is around the **capacity of the construction industry to deliver new social housing developments**.
- Should these concerns materialise, they would challenge the Scottish Government’s commitment to see 50,000 affordable homes built over the next five years.

Priority ranking	Area of concern
1	Capacity of the construction industry to deliver new social housing developments
2	Financial investments via European funds for social housing
3 equal	Workforce capacity for service delivery Private sector investment in social housing
4	Potential changes in regulation and procurement
5	Demand for social housing and future developments

- However, as some members highlighted, leaving the EU could also present an opportunity for the Scottish economy to encourage and train more people in this sector and build capacity in the construction sector workforce.

9. Next Steps for SFHA

Over the coming months, the SFHA will reflect the concerns raised by our members with the Scottish and UK Governments. There are issues of uncertainty, workforce planning, funding, and procurement that need to be closely monitored and addressed.

Uncertainty

The top concern from those surveyed is the potential uncertainty of what Brexit will bring, with different views expressed on how it may affect the work of housing associations.

Skills and capacity in the construction industry

The potential loss of construction staff and capacity within the construction industry to build the 50,000 affordable homes, which are planned over the next four years, is a key threat which needs to be addressed.

However, Brexit could represent employment opportunities for some disadvantaged communities, opportunities which need to be seized through the delivery of training and skills development for people currently excluded from the labour market.

This means that a priority for the SFHA is to engage with Skills Development Scotland, local authorities, partners in professional bodies and training organisations, the Scottish Government, and the construction industry to ensure that there is a planned approach to skills development and apprenticeships. The SFHA is already working with sector partners to develop an initiative to promote apprenticeships across the housing sector.

Funding for future development

Access to funding for future developments is also a concern in both urban and rural areas. The SFHA will reflect on the concerns of members in rural areas that funding the EU currently provides, which supports investment and livelihoods, may not be replaced, and it will lobby to ensure that rural communities are not disadvantaged.

Procurement

The Procurement (Scotland) Regulations continue to apply and impacts are being monitored in any event. The SFHA will watch closely the emerging proposals around trading arrangements for their implications not only for new build but also for ongoing maintenance of existing stock and keep members informed as future trade deals are put in place post-Brexit.

Demand for affordable housing

The housing associations surveyed do not believe that overall demand will reduce for affordable housing, indeed those in areas of existing high demand expect sustained need for affordable housing. That makes addressing uncertainties that would impact negatively on the sustainability of existing stock and the new build programme an urgent priority for SFHA.

Care provision

There is obviously the wider issue of health and social care support for **social** tenants. Although less concern was expressed in this research about the impact of migration aspects of Brexit on the labour force for care services provided directly by housing associations, the SFHA will seek to monitor this in conjunction with partners in the health and social care world.

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